Christian Dior

TRANSLATION OF THE FRENCH "RAPPORT ANNUEL"
AS OF DECEMBER 31, 2017

Combined Shareholders' Meeting April 12, 2018

This document is a free translation into English of the original French "Rapport annuel", hereafter referred to as the "Annual Report". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

Christian Dior

Annual Report as of December 31, 2017

Chairman's message

Another record year

2017 was, in all respects, another very successful year for the Christian Dior group: profitable, abundantly innovative, and full of responsible commitments.

2017's success is the result of a long-term global vision

Boosted by organic growth of 12%, our revenue comfortably exceeded the 40 billion-euro mark, while our profit from recurring operations, which grew 15%, surpassed 8 billion euros.

These results stem from the balance of our businesses and geographic footprint around the world: Europe, the United States and Asia experienced growth this year. They are also driven by the dynamism of our Maisons, which, because they plan their development over the very long term, have had a particularly busy year. They reflect two of the Group's hallmarks: yet again, our Maisons have been far-sighted and have sought perfection in their achievements this year.

Creativity is at home at our Maisons

Our Group currently comprises over 70 Maisons, which are all – especially the largest, of course – very busy hubs of creativity and engagement. Louis Vuitton continues to demonstrate remarkable creative momentum. As a result of the popularity of its iconic products and the models designed in collaboration with Jeff Koons and Supreme, it has enjoyed outstanding success this year, while strictly controlling the quality and exclusivity of its distribution.

Christian Dior, the world's most famous French couture brand, celebrated its seventieth anniversary at the Musée des Arts Décoratifs with the *Christian Dior: Designer of Dreams* exhibition, which was an extraordinary success, with more than 700,000 visitors in six months.

The principal Maisons in our Wines and Spirits business group enjoyed growth, even though supply constraints slowed growth in the second half for our cognacs. In premium champagnes, the Dom Pérignon P2 cuvées are unmatched worldwide because of their very long cellar maturation and are increasingly popular.

Fendi, Bvlgari and our prestigious perfume houses, notably Parfums Christian Dior, continued to perform very well.

The synergies facilitated by our Group include the Fenty Beauty range: Rihanna created this brand and its products have been developed by Kendo, our beauty incubator. They have enjoyed exceptional worldwide success, with sales driven by Sephora's powerful, far-reaching physical and digital retail network.

I would also like to reserve a particular mention for Céline, which welcomed the extremely talented Hedi Slimane in 2018 and is about to venture into unexplored businesses and territories.

Major acquisitions in 2017

The integration process for Rimowa, which was acquired in January 2017, is virtually complete. These German suitcases are enduring favorites for seasoned travelers because of their unique design and the unmatched quality of their manufacturing process. They will benefit from the development of air travel in coming years.

Francis Kurkdjian, a hugely talented master-perfumer, has joined us along with his Maison. We also acquired Colgin Cellars, a gem from Napa Valley, which rounds out our portfolio of premium vineyards. Likewise, the purchase of Woodinville expands our range of spirits.

Significant investment in production

To satisfy growing demand for our products in all our business groups and continually improve production methods, our Maisons have increased their production capacities. After opening a new manufacturing workshop in Auvergne, central France, Louis Vuitton plans to open several more production facilities in France in 2018. Bvlgari has built itself a state-of-the-art manufacturing facility in Valenza, Italy.

Similarly, the inauguration of the Pont Neuf bottling plant, near Cognac, last October, is proof of both Hennessy's growth ambitions and its confidence in the potential of the cognac vineyards. These investments also reflect our Maisons' drive to improve the quality of our products and ensure that they are the most perfect expression of the terroirs from which they originate.

For several years now, they have been supported by equally significant investment in the transmission of our Maisons' ancestral know-how – they are the custodians of this expertise and have a duty to perpetuate it. Our Institut des Métiers d'Excellence, now present not only in France and Switzerland, but also in Italy, welcomes large numbers of apprentices and offers 18 first-rate training programs.

Developing digital activities

The Group already has a substantial e-commerce footprint: our online sales, which represent several billion euros, grew 30% in 2017. Online sales of e-commerce pioneer Sephora, for example, are surging all over the world and Sephora is the leading online specialty beauty retailer in many countries, including the United States. Similarly, Louis Vuitton already boasts a remarkable online business, while preserving the brand's exclusiveness.

Our products are themselves increasingly connected: watchmaker TAG Heuer is capitalizing on the huge success of the connected watch in 2016 to accentuate this strategic focus and Louis Vuitton launched its own connected watch in 2017.

To prolong this innovation drive and further reinforce the presence and role of digital professionals among its ranks, the Group launched a series of initiatives in 2017 designed to offer customers – especially the young generations with high expectations in this area – a premium digital service. 24 Sèvres, the digital platform of department store Le Bon Marché, immediately established itself as one of the best online shopping services, thanks to the quality of its product selection and its online portal. Similarly, Clos19, the digital ambassador of the art of hosting *à la française*, offers our wines and spirits, as well as an array of tasting experiences to customers in the United Kingdom, Germany and the United States.

Lastly, the Group is investing in direct collaborations with startups at every level of the Group, notably thanks to the Vivatech trade fair co-organized by our subsidiary Les Echos, which has rapidly become a world class event.

Our commitments

Our philanthropic initiatives have enjoyed unprecedented success, since the Fondation Louis Vuitton's exhibition of the prestigious Shchukin collection, united for the first time since the October Revolution, attracted record attendance with more than 1.2 million visitors.

In September, the Group celebrated 25 years of commitment to the environment by reinforcing its environmental performance targets. Lastly, LVMH has made a firm commitment to fashion models by drawing up a groundbreaking, highly exacting charter that is now applied by our fashion houses.

As we have done on three occasions since 2011, our Group and its Maisons will welcome you for the fourth edition of its open days, Les Journées Particulières LVMH, which will take place next October 12, 13 and 14.

Cautiously optimistic for 2018

I believe that our Group is therefore very well positioned to pursue harmonious growth. We cannot predict economic conditions in 2018 exactly, even though the first quarter should not see any major breaks with prior trends. Analysis of the world's macroeconomic situation reveals both significant growth potential and substantial risk factors. We are therefore cautiously optimistic for the year ahead. We are cautious because the current particularly buoyant economic situation with very low interest rates, abundant liquidity, generally very high asset valuations and no major economic crisis in ten years, will not last forever.

We are optimistic because the allure of our exceptional products will continue to grow in the long term and because the average standard of living in the countries where the Group is present will continue to rise in the coming years, even if we do experience economic jolts in the short term.

I am confident in the ability of our designers and 145,000 employees worldwide to invent the products of tomorrow and ensure that they are of unrivalled quality. The Group knows how to project itself into the future and invest for the long term. At every level, we are all entrepreneurs, driven by the aim of strengthening the Group's lead in all its markets over the next ten years.

Bernard ARNAULT

Chairman of the Board of Directors

History

The history of the Christian Dior company began in 1946, when Monsieur Christian Dior started his own haute couture establishment in a townhouse at 30 avenue Montaigne in Paris, where the Company still has its headquarters.

Boussac group, which owned Christian Dior at that time, was acquired in 1984 by Bernard Arnault in association with a group of investors. In 1988, through one of its subsidiaries, Christian Dior took a 32% stake in LVMH, an ownership interest that would be gradually increased over the years. As of December 31, 2017, Christian Dior thus controlled 41% of the share capital and 57% of the voting rights of LVMH, while the Arnault Family Group also held about 6% of the share capital and voting rights of LVMH as of this same date.

The Christian Dior group was formed through successive alliances among companies that, from generation to generation, have successfully combined traditions of excellence and creative passion with a cosmopolitan flair and a spirit of conquest. Together, these companies now make up a powerful, international Group, sharing their expertise with its newer brands and continuing to cultivate the art of growing well while transcending time, without losing their soul or their image of distinction.

From the 14th century to the present

14th century	1365	Clos des Lambrays
16th century	1593	Château d'Yquem
18th century	1729	Ruinart
	1743	Moët & Chandon
	1765	Hennessy
	1772	Veuve Clicquot
	1780	Chaumet
19th century	1815	Ardbeg
	1817	Cova
	1828	Guerlain
	1832	Château Cheval Blanc
	1843	Krug
		Glenmorangie
	1846	Loewe
	1849	Royal Van Lent
	1852	Le Bon Marché
	1854	Louis Vuitton
	1858	Mercier
	1860	TAG Heuer
		Jardin d'Acclimatation
	1865	Zenith
	1870	La Samaritaine
	1884	Bvlgari
	1895	Berluti
	1898	Rimowa
20th century	1908	Les Echos
	1916	Acqua di Parma
	1923	La Grande Épicerie de Paris
	1924	Loro Piana
	1925	Fendi
	1936	Dom Pérignon
		Fred
	1944	Le Parisien-Aujourd'hui en France
	1945	Céline
	1946	Christian Dior
	1947	Parfums Christian Dior
		Emilio Pucci
	1952	Givenchy
		Connaissance des Arts
	1957	Parfums Givenchy
	1958	Starboard Cruise Services
	1959	Chandon
	1960	DFS
	1969	Sephora
	1970	Kenzo
		Cape Mentelle
	1972	Parfums Loewe
	1974	Investir-Le Journal des Finances
	1975	Ole Henriksen
	1976	Benefit Cosmetics
	1977	Newton
	1980	Hublot
	1983	Radio Classique
	1984	Thomas Pink
		Marc Jacobs
		Make Up For Ever
	1985	Cloudy Bay
	1988	Kenzo Parfums
	1991	Fresh
	1992	Colgin Cellars
	1993	Belvedere
	1998	Bodega Numanthia
	1999	Terrazas de los Andes
		Cheval des Andes
21st century	2004	Nicholas Kirkwood
	2005	Edun
	2008	Kat Von D
	2009	Maison Francis Kurkdjian
	2010	Woodinville
	2013	Ao Yun
	2017	Fenty Beauty by Rihanna

Executive and Supervisory Bodies
Statutory Auditors
as of December 31, 2017

BOARD OF DIRECTORS

Bernard ARNAULT
Chairman of the Board of Directors

Sidney TOLEDANO
Vice-Chairman
Chief Executive Officer

Delphine ARNAULT [b]

Nicolas BAZIRE [d]

Hélène DESMARAIS [a] [b]

Renaud DONNEDIEU de VABRES [a]

Ségolène GALLIENNE [a]

Christian de LABRIFFE [a]

Maria Luisa LORO PIANA

ADVISORY BOARD MEMBER

Pierre GODÉ [c]

Jaime de MARICHALAR y SÁENZ de TEJADA [b]

PERFORMANCE AUDIT COMMITTEE

Christian de LABRIFFE [a]
Chairman

Nicolas BAZIRE

Renaud DONNEDIEU de VABRES [a]

NOMINATIONS AND COMPENSATION COMMITTEE

Hélène DESMARAIS [a] [b]
Chairman

Nicolas BAZIRE

Christian de LABRIFFE [a]

STATUTORY AUDITORS

ERNST & YOUNG et Autres
represented by Jeanne Boillet

MAZARS
represented by Simon Beillevaire

(a) Independent Director.
(b) Renewal proposed to the Shareholders' Meeting of April 12, 2018.
(c) Passed away on January 31, 2018.
(d) Ratification of the co-optation by the Board at its meeting of July 26, 2017 proposed to Shareholders' Meeting of April 12, 2018.

The list of Directors' appointments can be found in §1.4.1 of the Board of Directors' report on corporate governance, pages 134 et seq.

Financial highlights

Key consolidated data

(EUR millions and as %)	**Fiscal year 2017** 12 months	**Calendar year 2016** 12 calendar months, pro forma [a]	**Fiscal year 2016** 6 months (July 1 to Dec. 31, 2016)
Revenue	43,666	39,501	21,436
Gross margin	28,582	25,948	14,035
Gross margin as a percentage of revenue	*65.5%*	*65.7%*	*65.5%*
Profit from recurring operations	8,373	7,252	4,238
Current operating margin as a percentage of revenue	*19.2%*	*18.4%*	*19.8%*
Net profit	5,753	4,594	2,724
Net profit, Group share	2,240	1,764	1,058
Net profit, minority interests' share	3,513	2,830	1,666
Cash from operations before changes in working capital [b]	10,582	9,125	5,343
Operating investments	2,517	2,438	1,467
Net cash from operating activities and operating investments (free cash flow)	4,589	4,003	3,305
Equity, Group share	12,782	11,838	11,838
Minority interests	19,951	18,246	18,246
Total equity	32,733	30,084	30,084
Net financial debt [c]	2,001	4,753	4,753
Net financial debt [c]/Total equity ratio	6%	16%	16%

(a) Limited review procedures with no report issued.
(b) Before tax and interest paid.
(c) Excluding purchase commitments for minority interests, included in "Other non-current liabilities". See Note 20 to the consolidated financial statements.

Data per share

(in euros)	**Fiscal year 2017** 12 months	**Calendar year 2016** 12 calendar months, pro forma [a]	**Fiscal year 2016** 6 months (July 1 to Dec. 31, 2016)
Earnings per share			
Basic Group share of net profit per share	12.47	9.84	5.90
Diluted Group share of net profit per share	12.40	9.78	5.86
Dividend per share			
Interim cash dividend	1.60	N/A	-
Final cash dividend	3.40	N/A	1.40
Gross amount paid in cash for the fiscal year [b]	**5.00 [c]**	**N/A**	**1.40**

N/A: not applicable.
(a) Limited review procedures with no report issued.
(b) Excluding the impact of tax regulations applicable to recipients.
(c) For the fiscal year ended December 31, 2017, amount proposed at the Shareholders' Meeting of April 12, 2018.

Information by business group

Revenue by business group *(EUR millions and as %)*	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [(a)]	Change 2017/2016 published	Change 2017/2016 organic [(b)]	Fiscal year 2016 6 months (July 1 to Dec. 31, 2016)
Wines and Spirits	5,084	4,835	+5%	+7%	2,779
Fashion and Leather Goods [(c)]	16,519	14,711	+12%	+13%	7,933
Perfumes and Cosmetics	5,560	4,953	+12%	+14%	2,616
Watches and Jewelry	3,805	3,468	+10%	+12%	1,859
Selective Retailing	13,311	11,973	+11%	+13%	6,493
Other activities and eliminations	(613)	(439)	-	-	(244)
TOTAL	**43,666**	**39,501**	**+11%**	**+12%** [(d)]	**21,436**

Profit from recurring operations by business group *(EUR millions and as %)*	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [(a)]	Change 2017/2016	Fiscal year 2016 6 months (July 1 to Dec. 31, 2016)
Wines and Spirits	1,558	1,504	+4%	939
Fashion and Leather Goods [(c)]	5,022	4,125	+22%	2,421
Perfumes and Cosmetics	600	551	+9%	279
Watches and Jewelry	512	458	+12%	253
Selective Retailing	1,075	919	+17%	509
Other activities and eliminations	(394)	(305)	-	(163)
TOTAL	**8,373**	**7,252**	**+15%**	**4,238**

(a) Limited review procedures with no report issued.
(b) On a constant consolidation scope and currency basis.
(c) Following the sale within the consolidated Group, on July 3, 2017, of the Christian Dior Couture segment to LVMH SE by Christian Dior SE, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as for prior periods.
(d) Exchange rate fluctuations had a negative 2% impact, and changes in the scope of consolidation had a positive 1% impact.

Information by geographic region

Revenue by geographic region of delivery (as %)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [a]	Fiscal year 2016 6 months (July 1 to Dec. 31, 2016)
France	10	10	10
Europe (excluding France)	19	18	19
United States	25	26	26
Japan	7	7	7
Asia (excluding Japan)	28	27	26
Other markets	11	12	12
TOTAL	**100**	**100**	**100**

(a) Limited review procedures with no report issued.

Revenue by invoicing currency (as %)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [a]	Fiscal year 2016 6 months (July 1 to Dec. 31, 2016)
Euro	23	23	23
US dollar	30	31	31
Japanese yen	7	7	7
Hong Kong dollar	6	6	6
Other currencies	34	33	33
TOTAL	**100**	**100**	**100**

(a) Limited review procedures with no report issued.

Number of stores	Dec. 31, 2017 [a]	Dec. 31, 2016 [b]
France	508	507
Europe (excluding France)	1,156	1,106
United States	754	730
Japan	412	403
Asia (excluding Japan)	1,151	1,055
Other	393	347
TOTAL	**4,374**	**4,148**

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.
(b) Excluding Rimowa, whose network was integrated in 2017.

Business description

1. Wines and Spirits

The activities of the Christian Dior group in Wines and Spirits are divided between two segments: the Champagne and Wines segment and the Cognac and Spirits segment. The Group's strategy is focused on the high-end segments of the global Wines and Spirits market.

In 2017, revenue for the Wines and Spirits business group amounted to 5,084 million euros, or 12% of the Group's total revenue.

1.1. CHAMPAGNE AND WINES

In 2017, revenue for Champagne and Wines was 2,406 million euros, representing 47% of the total revenue of the Wines and Spirits business group.

1.1.1. Champagne and Wine brands

The Group produces and sells a very broad range of high-quality champagne wines. In addition to Champagne, the Group develops and distributes a range of high-end still and sparkling wines from countries on four continents: France, Spain, California, Argentina, Brazil, Australia, New Zealand, India and China.

The Group represents the leading portfolio of champagne brands, which hold complementary market positions. **Dom Pérignon** is a prestigious vintage produced by Moët & Chandon since 1936. **Moët & Chandon** (founded in 1743), the leading wine grower and exporter in the Champagne region, and **Veuve Clicquot Ponsardin** (founded in 1772), which ranks second in the industry, are two internationally known brands revered for the quality of their products. **Mercier** (founded in 1858) is a brand designed for the French market. **Ruinart** (the oldest of the champagne houses, founded in 1729) has a development strategy that is carefully targeted on a number of priority markets, which are currently mainly in Europe. **Krug** (founded in 1843 and acquired by the Group in January 1999) is a world famous brand, specializing exclusively in high-end vintages.

The **Chandon** brand (created in 1959 in Argentina) includes the Moët Hennessy wines developed in California, Argentina, Brazil, Australia, India and China by Chandon Estates.

The Group also owns a number of prestigious wines from the New World: **Cape Mentelle** in Australia, **Cloudy Bay** in New Zealand, and **Newton** in California, as well as **Terrazas de Los Andes** and **Cheval des Andes** in Argentina. In 2016, after many years of research guided by its ambition to create one of China's great wines, the Group launched the first **Ao Yun** vintage.

Château d'Yquem, which joined the Group in 1999, is the most prestigious of the Sauternes. It owes its excellent international reputation to its 110-hectare vineyard located on a mosaic of exceptional soils and to the extreme care taken in its preparation throughout the year.

In 2008, the Group acquired the Spanish wine company **Numanthia Termes**, founded in 1998 and located at the heart of the Toro region.

In 2009, the Group purchased a 50% stake in the prestigious winery **Château Cheval Blanc**, Premier Grand Cru classé A Saint-Émilion. Château Cheval Blanc owns a 37-hectare domain within the Saint-Émilion appellation. The strictest respect for the purest traditions of winemaking characterizing the Bordeaux grand crus, a terroir of superior quality, and an atypical blend of grape varietals give its wines an exceptional balance and unique personality. This business is accounted for under the equity method in accordance with IFRS 11 Joint Arrangements.

In 2014, the Group acquired **Domaine du Clos des Lambrays**, one of the oldest and most prestigious Burgundy vineyards, located in Morey-Saint-Denis. With a vineyard area of 8.66 contiguous hectares, Clos des Lambrays is the premier Grand Cru of the Côte de Nuits. It also produces Morey-Saint-Denis Premier Crus and prestigious white wines under the name Puligny-Montrachet Premier Cru, such as Clos du Cailleret and Premier Cru Les Folatières.

In 2017, the Group acquired a 60% stake in **Colgin Cellars**, a stand-out winery established by Ann Colgin 25 years ago at the heart of Napa Valley. Colgin Cellars' reputation is rooted in the unmatched quality of its four exceptional wines – "Tychson Hill" Cabernet Sauvignon, "Cariad" Napa Valley Red Wine, "IX Estate" Napa Valley Red Wine and "IX Estate" Syrah. These wines have gained an iconic status among the top wine collectors and aficionados.

1.1.2. Competitive position

In 2017, shipments of the Group's champagne brands were up 7.5% in volume, while shipments from the Champagne region as a whole were up 0.4% (source: CIVC). The Group's market share was 21.9% of the total shipments from the region, compared to 20.4% in 2016.

Champagne shipments, for the whole Champagne region, break down as follows:

(in millions of bottles and percentage)	2017			2016			2015		
	Volumes		Market share	Volumes		Market share	Volumes		Market share
	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	153.7	9.9	6.4	157.7	9.8	6.2	161.9	9.7	6.0
Export	153.6	57.3	37.3	148.4	52.7	35.6	150.7	53.0	35.2
TOTAL	**307.3**	**67.2**	**21.9**	**306.1**	**62.5**	**20.4**	**312.6**	**62.7**	**20.1**

(Source: Comité Interprofessionnel des Vins de Champagne – CIVC).

The geographic breakdown of the Group's champagne sales in 2017 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2017	2016	2015
Germany	5	5	5
United Kingdom	8	9	9
United States	19	19	18
Italy	4	4	4
Japan	10	9	9
Australia	5	5	5
Other	34	34	34
Total export	**85**	**85**	**84**
France	15	15	16
TOTAL	**100**	**100**	**100**

1.1.3. The champagne production method

The name Champagne covers a defined geographic area classified A.O.C. (Appellation d'origine contrôlée), which covers the 34,000 hectares that can be legally used for production. There are essentially three main types of grape varietals used in the production of champagne: chardonnay, pinot noir and pinot meunier. The preparation method used for sparkling wines produced outside this defined region, but using the winemaking techniques used for champagne, is called the "champenoise method."

In addition to its effervescence, the primary characteristic of champagne is that it is the result of blending wines from different years and/or different varieties and land plots. The best brands are distinguished by their masterful blend and constant quality which is achieved thanks to the talent of their wine experts.

Weather conditions significantly influence the grape harvest from one year to the next. The production of champagne also requires aging in cellars for two years or more for the "premium" vintages, which are the vintages sold at more than 110% of the average sale price. To protect themselves against crop variations and manage fluctuations in demand, but also to ensure constant quality over the years, the Group's champagne houses constantly adjust the quantities available for sale and keep reserve wines in stock. Since a lower harvest can impact sales for two or three years, or more, the Group constantly maintains significant champagne inventories in its cellars. As of December 31, 2017, the number of bottles in the Group's cellars in Champagne was 209 million, the equivalent of 3.12 years of sales; this is in addition to wines still in the storage tanks waiting to be drawn (equivalent of 85 million bottles), including the quality reserve withheld from sale in accordance with applicable industry rules (equivalent of 11 million bottles).

1.1.4. Grape supply sources and subcontracting

The Christian Dior group owns nearly 1,700 hectares under production, which provide slightly more than 20% of its annual needs. In addition, Group companies purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 10% of total supplies for the Group's brands. Since 1996, industry agreements have been signed and renewed, with a view to limiting upward or downward fluctuations in grape prices. The most recent renewal of this agreement dates back to 2014, setting the framework for negotiations relating to harvests from 2014 to 2018 (CIVC Decision No. 182). For about ten years, wine growers and merchants have established a qualitative reserve that will allow them to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. These wines stockpiled in the qualitative reserve provide a certain level of security for future years with smaller harvests.

For the 2017 harvest, the Institut National de l'Origine et de la Qualité (INAO, the French organization responsible for regulating controlled place names) set the marketable yield for the Champagne appellation at 10,300 kg/ha. This yield represents the maximum harvest level that can be made into wine and sold under the Champagne appellation. In 2006, the INAO redefined the legal framework for the abovementioned stockpiled reserves. Thus, it is possible to harvest grapes beyond the marketable yield within the limits of a ceiling referred to as the plafond limite de classement (PLC), the highest permitted yield. This ceiling is determined each year depending on the maximum total yield.

It was set at 3,100 kg/ha for the 2017 harvest. Grapes harvested over and above the marketable yield are stockpiled in reserve, kept in vats and used to complement poorer harvests. The maximum level of this stockpiled reserve is set at 8,000 kg/ha for the reserve created from the 2011 harvest, and 8,500 kg/ha for the total of all quantities held in reserve.

The price paid for each kilogram of grapes in the 2017 harvest ranged between 5.59 euros and 6.40 euros depending on the vineyard, an average increase of 2.15% compared to the 2016 harvest. Premiums may be paid on top of the basic price in line with the special conditions agreed under each partnership (including for sustainable winegrowing).

Dry materials (bottles, corks, etc.) and all other elements representing containers or packaging are purchased from non-Group suppliers.

In 2017, the champagne houses used subcontractors for about 25 million euros of services, notably pressing, handling, and stocking bottles.

1.2. COGNAC AND SPIRITS

In 2017, revenue for the Cognac and Spirits segment totaled 2,679 million euros, or 53% of the total revenue for the Wines and Spirits business group.

1.2.1. Cognac and Spirits brands

The Group holds the most powerful brand in the cognac sector with **Hennessy**. The company was founded by Richard Hennessy in 1765. Historically, the leading markets for the brand were Ireland and Great Britain, but Hennessy rapidly expanded its presence in Asia, which represented nearly 30% of its shipments as early as 1925. The brand became the world cognac leader in 1890. Hennessy created *X.O* (*Extra Old*) in 1870 and, since then, has developed a line of high-end cognac that has made its reputation.

Since 2007, the Group has owned 100% of the luxury vodka **Belvedere**. The brand was founded in 1993 in order to bring a luxury vodka for connoisseurs to the American market. Belvedere was introduced to this market in 1996, and in 1999 the company decided to develop flavored vodkas. The Polmos Zyrardow distillery in Poland, which makes Belvedere vodka, was founded in 1910.

The Group acquired Glenmorangie in 2005. Glenmorangie notably owns the single malt whisky brands **Glenmorangie** and **Ardbeg**.

In 2017, the first bottles of **Volcán De Mi Tierra** tequila, created with Mexican partner Don Juan Gallardo, went on sale in a limited number of points of sale in the United States and Mexico.

In 2017, the Group acquired **Woodinville Whiskey Company**, which was established in 2010 by Orlin Sorensen and Brett Carlile and is now the largest craft whiskey distillery in Washington State. Its two flagship products – Woodinville Straight Bourbon Whiskey and Woodinville Straight Rye Whiskey – were crowned as the best craft whiskeys in their respective categories in 2016 and 2017 by the American Distilling Institute.

1.2.2. Competitive position

In 2017, the volumes shipped from the Cognac region were up 10% from 2016 (source: Bureau national interprofessionnel du cognac – BNIC), while the volumes of Hennessy shipped were up 8%. The market share of Hennessy was 48.6%, compared to 49.4% in 2016. The company is the world leader in cognac, with particularly strong positions in the United States and Asia.

The leading geographic markets for cognac, both for the industry and for the Group, on the basis of shipments in number of bottles, excluding bulk, are as follows:

	2017			2016			2015		
	Volumes		Market share	Volumes		Market share	Volumes		Market share
(in millions of bottles and percentage)	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	3.5	0.7	20.1	3.5	0.4	11.2	3.7	0.4	9.5
Europe (excluding France)	35.3	8.4	23.9	33.1	8.2	24.8	34.5	8.0	23.3
United States	82.4	53.4	64.8	73.9	48.0	65.0	65.1	41.1	63.1
Asia	58.1	23.0	39.7	51.8	22.3	43.0	51.3	20.8	40.6
Other markets	14.1	8.4	59.8	13.1	7.8	59.7	11.4	6.8	60.0
TOTAL	**193.3**	**94.0**	**48.6**	**175.5**	**86.7**	**49.4**	**166.0**	**77.1**	**46.5**

The geographic breakdown of Group cognac sales, as a percentage of total sales expressed in number of bottles, is as follows:

(as %)	2017	2016	2015
United States	55	53	51
Japan	1	1	1
Asia (excluding Japan)	24	25	27
Europe (excluding France)	9	10	10
Other	11	11	11
Total export	**100**	**100**	**100**
France	-	-	-
TOTAL	**100**	**100**	**100**

1.2.3. The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 75,000 hectares, consists almost exclusively of the white ugni varietal which yields a wine that produces the best eaux-de-vie.

This region is divided into six vineyards, each of which has its own qualities: Grande Champagne, Petite Champagne, Borderies, Fins Bois, Bons Bois and Bois Ordinaires. Hennessy selects its eaux-de-vie essentially from the first four vineyards, where the quality of the wines is more suitable for the preparation of its cognacs.

Charentaise distillation is unique because it takes place in two stages, a first distillation (première chauffe) and a second distillation (seconde chauffe). The eaux-de-vie obtained are aged in oak barrels. An eau-de-vie at full maturity is not necessarily a good cognac. Cognac results from the gradual blending of eaux-de-vie selected on the basis of vintage, origin and age.

1.2.4. Supply sources for wines and cognac eaux-de-vie and subcontracting

Most of the cognac eaux-de-vie that Hennessy needs for its production are purchased from a network of approximately 1,600 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved as part of an ambitious sustainable winegrowing policy. Hennessy directly operates about 170 hectares, providing for less than 1% of its eaux-de-vie needs.

Purchase prices for eaux-de-vie are agreed on between the company and each producer based on supply and demand and the quality of the eaux-de-vie. In 2017, the price of eaux-de-vie from the harvest increased by 3% compared to the 2016 harvest.

With an optimized inventory of eaux-de-vie, the Group can manage the impact of price changes by adjusting its purchases from year to year under the contracts with its partners.

Hennessy continues to control its purchase commitments and diversify its partnerships to prepare for its future growth across the various quality grades.

Like the champagne and wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers.

Hennessy makes only very limited use of subcontractors for its core business.

1.2.5. The vodka production method, supply sources and subcontracting

Vodka can be obtained from the distillation of various grains or potatoes. Belvedere vodka is the result of the quadruple distillation of Polish rye. The distillery that prepares Belvedere performs three of these distillations itself in Zyrardow, Poland. It uses water purified using a special process that yields a vodka with a unique taste.

Belvedere flavored vodkas are obtained by macerating fruits in a pure vodka prepared using the same process as the one used for non-flavored vodka, and distillation takes place in a Charentetype still.

Overall, Belvedere's top raw eaux-de-vie supplier represents less than 30% of the company's supplies.

1.2.6. The Scotch whisky production method

The legal definition of Scotch whisky states that the spirit must be produced at a distillery in Scotland from water and malted barley to which other cereals may be added, fermented by yeast, distilled and matured in Scotland in oak casks with a volume of less than 700 liters for a minimum of three years. Single malt Scotch whisky is the product of one single distillery. Blended Scotch whisky is made by mixing malt and grain whiskies together.

According to the rules for producing malt whisky, the malt is first ground, which produces a mixture of flour and husks called grist. This product is then mixed with hot water in large wooden tubs called mash tuns in order to extract the sugars from the malted barley. The resulting sugary liquid, known as wort, is transferred to a fermentation vessel or washback and yeast is added to allow fermentation to occur and alcohol to be created. This alcoholic liquid, known as wash, then undergoes a double distillation in copper pot stills, known as wash and spirit stills. Every distillery's stills are unique in shape and size and have a huge impact on flavor. Glenmorangie's stills are the tallest in Scotland at 5.14 meters and allow only the lightest vapors to ascend and condense. The spirit still at Ardbeg has a unique spirit purifier.

This newly made spirit is sealed into oak ex-bourbon barrels and matured in a distillery warehouse for at least three years. Maturation is a critical part of the production process, providing the whiskies' color and additional flavors. Glenmorangie and Ardbeg are normally matured for a minimum of 10 years in very high-quality casks.

1.3. WINES AND SPIRITS DISTRIBUTION

The Group's Wines and Spirits are distributed to the world's major markets primarily through a network of international subsidiaries, some of which are joint ventures with the spirits group Diageo plc. In 2017, 24% of champagne and cognac sales were made through this channel.

Diageo also has a 34% stake in Moët Hennessy, which is the holding company of the LVMH group's Wines and Spirits businesses.

Since 1987, LVMH and Guinness (prior to the creation of Diageo) have signed agreements leading to the creation of joint ventures for the distribution of their top brands in major countries, including MHD in France and Schieffelin & Somerset in the United States. This joint network strengthens the positions of the two groups, improves distribution control, enhances customer service, and increases profitability by sharing distribution costs.

In the United States, Moët Hennessy products have been sold by Moët Hennessy USA since 2005 following the winding up of the Schieffelin & Somerset joint venture, but Moët Hennessy and Diageo products continue to be sold through joint distributors.

Since 2010, following the restructuring of the distribution of Moët Hennessy's and Diageo's products in Japan, Moët Hennessy has refocused on the distribution of its own brands of champagnes and spirits together with some of Diageo's ultra-premium spirits brands, while a joint venture between Kirin and Diageo has handled the distribution of Diageo's other premium brands.

Since 2011, as a result of the buyout by the Group of Whitehall's stake, a subsidiary wholly owned by Moët Hennessy has been responsible for distribution in Russia.

In China, the MHD China joint venture now primarily distributes Moët Hennessy products, since Diageo has transferred distribution of the majority of its brands to one of its subsidiaries.

2. Fashion and Leather Goods

The Fashion and Leather Goods business group includes Louis Vuitton, the world's leading luxury brand, Christian Dior, Fendi, Loewe, Céline, Kenzo, Marc Jacobs, Givenchy, Thomas Pink, Pucci, Berluti, Rossimoda, Loro Piana, Rimowa and Nicholas Kirkwood. This exceptional group of brands, born in Europe and the United States, has 1,769 stores around the world. The Group supports the growth of these brands by providing them with shared resources, while at the same time respecting their identity and their creative positioning. In 2017, Christian Dior Couture joined the Fashion and Leather Goods business group and Rimowa – the global leader in high-quality luggage – was acquired.

In 2017, the Fashion and Leather Goods business group posted revenue of 15,472 million euros, representing 36% of the Christian Dior group's total revenue.

2.1. THE BRANDS OF THE FASHION AND LEATHER GOODS BUSINESS GROUP

In the luxury Fashion and Leather Goods sector, the Group holds a portfolio of brands that are primarily French, but also include Italian, Spanish, British, German and American companies.

Louis Vuitton (founded in 1854), the star brand of this business group, first focused its development around the art of traveling, creating trunks, rigid or flexible luggage items, innovative, practical and elegant bags and accessories, before expanding its territory and its expertise in other areas of expression. For over 150 years, its product line has continuously expanded with new travel or city models and with new materials, shapes and colors. Famous for its originality and the high quality of its creations, today Louis Vuitton is the world leader in luxury goods and, since 1998, has offered its international customers a full range of products: leather goods, ready-to-wear for men and women, shoes and accessories. Since 2002, the brand has also been present in the watch segment; Louis Vuitton launched its first line of jewelry in 2004, its first eyewear collection in 2005, and a line of high-end leather goods in 2011. In 2016, it launched Louis Vuitton perfumes, a collection of seven fragrances.

Christian Dior was founded in 1946. Ever since its first "*New Look*" show, it has continued to assert its vision through elegant, structured and infinitely feminine collections. It offers a range of leather goods, ready-to-wear, footwear and accessories for men and women, as well as watches and jewelry. Parfums Christian Dior is included in the Perfumes and Cosmetics business group.

Fendi, founded in Rome in 1925, one of the flagship brands of Italian fashion, has been part of the Group since 2000. Particularly well-known for its skill and creativity in furs, the brand is also present in leather goods, accessories and ready-to-wear.

Loewe, the Spanish company created in 1846 and acquired by the Group in 1996, originally specialized in very high-quality leather work. Today it operates in leather goods and ready-to-wear. Loewe perfumes are included in the Perfumes and Cosmetics business group.

Marc Jacobs, created in New York in 1984, is named after its founder. The Group has handled its distribution activities since 1997. Through its collections of men's and women's ready-to-wear, leather goods and shoes, it aims to be the symbol of an irreverent urban fashion movement that is culturally driven but also socially engaged.

Céline, founded in 1945 and owned by the Group since 1996, offers ready-to-wear items, leather goods, shoes and accessories.

Kenzo, formed in 1970, joined the Group in 1993. Today, the company operates in the areas of ready-to-wear for men and women, fashion accessories and leather goods. Its perfume business is part of the Perfumes and Cosmetics business group.

Givenchy, founded in 1952 by Hubert de Givenchy and part of the Group since 1988, a company rooted in a tradition of excellence in Haute Couture, is also known for its collections of men and women's ready-to-wear and its fashion accessories. Givenchy perfumes are included in the Perfumes and Cosmetics business group.

Thomas Pink, a brand formed in 1984 that joined the Group in 1999, is a recognized specialist in high-end shirts in the United Kingdom.

Emilio Pucci, an Italian brand founded in 1947, is a symbol of casual fashion in luxury ready-to-wear, a synonym of escape and refined leisure. Emilio Pucci joined the Group in 2000.

Berluti, an artisan bootmaker established in 1895 and held by the Group since 1993, designs and markets very high-quality men's shoes, as well as a line of leather goods, now enriched with a line of ready-to-wear items for men.

Loro Piana, an Italian company founded in 1924 and held by the Group since 2013, creates luxury fabrics and products, particularly from cashmere, of which it is the world's foremost processor. The brand is famous for its dedication to quality and the noblest raw materials, its unrivalled standards in design and its expert craftsmanship.

Rimowa, founded in Cologne in 1898, is the first German brand to be owned by the Group. Renowned for its prestigious luggage, its products feature an iconic design and reflect its constant quest for excellence.

Nicholas Kirkwood, the British luxury footwear company born in 2004 and named after its founder, in which the Group acquired a 52% stake in 2013, is famous throughout the world for its unique, innovative approach to footwear design.

2.2. COMPETITIVE POSITION

In the Fashion and Leather Goods segment, the luxury market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands. The Christian Dior group, whose brands are present all around the world, has established itself as one of the most international groups in the sector, alongside Kering, Hermès, Chanel, Prada, Burberry, Tapestry and Richemont. All these groups compete in various product categories and geographic areas.

2.3. DESIGN

Whether they belong to the world of Haute Couture or luxury fashion, the Group's brands have founded their success first and foremost on the quality, authenticity and originality of their designs that must be renewed with each season and each collection. Thus, a strategic priority is to strengthen the design teams, ensure the collaboration of the best designers, and adapt their talent to the spirit of each brand.

The Group believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its companies. In 2013, Nicolas Ghesquière succeeded Marc Jacobs, who had designed the Louis Vuitton women's ready-to-wear collections since 1998. Since 2016, Maria Grazia Chiuri has been the first female Creative Director of Dior's womenswear collections. Karl Lagerfeld is in charge of the creation of Fendi's ready-to-wear line for women, while Silvia Fendi is in charge of accessories and men's ready-to-wear collections. In early 2018, Hedi Slimane will take over from Phoebe Philo, who has been Céline's Creative Director since 2008. He will oversee all of the Maison's collections, which will be expanded to include men's fashion, couture and fragrances. In 2017, Clare Waight Keller was made Artistic Director of Givenchy with responsibility for Haute Couture, ready-to-wear and women's and men's accessories. Since 2013, Jonathan Anderson has been Creative Director of Loewe. In 2011, Humberto Leon and Carol Lim were appointed as Creative Directors for all of the Kenzo collections. Olga Berluti, the heiress of the expertise built up by her predecessors, is perpetuating the unique style and quality of Berluti shoes. Haider Ackermann has been the brand's Creative Director since September 2016. Marc Jacobs is in charge of design at his eponymous brand.

2.4. DISTRIBUTION

Controlling the distribution of its products is a core strategic priority for the Christian Dior group, particularly in luxury Fashion and Leather Goods. This control allows the Group to benefit from distribution margins, and guarantees strict control of the brand image, sales reception and environment that the brands require. It also gives the Group closer contacts with its customers so that it can better anticipate their expectations.

In order to meet these objectives, the Group created the first international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included 1,769 stores as of December 31, 2017.

2.5. SUPPLY SOURCES AND SUBCONTRACTING

Louis Vuitton's nineteen leather goods workshops – thirteen in France, three in Spain, two in the United States and one in Italy – manufacture most of its leather goods products. All development and manufacturing processes for the entire footwear line are handled at Louis Vuitton's workshops in Fiesso d'Artico, Italy, whilst production of accessories (textiles, jewelry, belts, eyewear, etc.) is concentrated in the Louis Vuitton workshops at Barbera (Catalonia) and Gallarate (Lombardy). Louis Vuitton uses external manufacturers only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton purchases its materials from suppliers located around the world, with whom it has established partnership relationships. The supplier strategy implemented over the last few years has enabled volume, quality and innovation requirements to be met thanks to a policy of concentration and supporting the best suppliers while limiting Louis Vuitton's dependence on them. For this reason, the leading leather supplier accounts for only around 25% of Louis Vuitton's total leather supplies.

Christian Dior Couture's production capacity and use of outsourcing vary very widely depending on the product. In leather goods, it works with companies outside the Group to increase its production capacity and provide greater flexibility in its manufacturing processes. In ready-to-wear and fine jewelry, it purchases supplies solely from non-Group businesses.

Fendi and Loewe have leather workshops in their countries of origin, and in Italy for Céline and Berluti, which cover only a portion of their production needs. Rimowa manufactures a large proportion of its products in Germany. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the brand's country of origin, France, Italy and Spain.

Loro Piana manages all stages of production, from the sourcing of natural fibers to the delivery of finished products to stores. Loro Piana procures its unique materials (baby cashmere from northern China and Mongolia, vicuña from the Andes, and extra-fine Merino wool from Australia and New Zealand) through exclusive partnerships with suppliers all over the world. Its exquisite textiles and products are then manufactured in Italy.

Moreover, in order to safeguard and develop the Fashion and Leather Goods companies' access to the high-quality raw materials and know-how they need, the LVMH Métier d'Arts business segment created in 2015 invests in, and provides long-term support to, its best suppliers. In leather, for example, LVMH teamed up with the Koh brothers in 2011 to develop the business of the Heng Long tannery in Singapore. Founded in 1950, it is now a leading crocodile leather tannery. In 2012, the Group acquired Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 33% of the cost of sales in 2017.

Finally, for the different Group companies, the fabric suppliers are often Italian, but on a non-exclusive basis.

The designers and style departments of each Group company ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

3. Perfumes and Cosmetics

The Group is present in the perfume and cosmetics sector through its major French houses: Parfums Christian Dior, Guerlain, Givenchy and Kenzo. In addition to these world-renowned brands, this business group also includes Benefit Cosmetics and Fresh, two young, high-growth American cosmetics companies; the cosmetics brand incubator Kendo; the prestigious Italian brand Acqua di Parma; Parfums Loewe, a Spanish brand with strong positions in its domestic market; and Make Up For Ever, a French company initially specializing in professional makeup products. Maison Francis Kurkdjian, a niche French fragrance company, was added to the portfolio in 2017.

The presence of a broad spectrum of brands within the business group generates synergies and represents a market force. The volume effect means that advertising space can be purchased at better prices and better locations can be negotiated in department stores. In research and development, the Group's brands have pooled their resources since 1997 with a joint center in Saint-Jean-de-Braye (France), at the industrial site of Parfums Christian Dior. The use of shared services by subsidiaries increases the effectiveness of support functions for worldwide distribution and facilitates the expansion of the newest brands. These economies of scale permit larger investments in design and advertising, two key factors for success in Perfumes and Cosmetics.

The Group's Perfumes and Cosmetics brands are sold mainly through "selective retailing" channels (as opposed to mass-market retailers and drugstores), although certain brands also sell their products in their own stores. There were a total of 302 points of sale of this type for the business group as of December 31, 2017.

In 2017, the Perfumes and Cosmetics business group posted revenue of 5,560 million euros, representing 13% of the Christian Dior group's total revenue.

3.1. THE BRANDS OF THE PERFUMES AND COSMETICS BUSINESS GROUP

Parfums Christian Dior was born in 1947, one year after the founding of the Christian Dior Couture house, with the launch of *Miss Dior* perfume. While developing its lines of fragrances for men and women over the years, Parfums Christian Dior expanded its activity to the makeup sector in 1955, and to skincare products in 1973. François Demachy, perfumer and Creative Director, and Peter Philips, Creative Director for makeup, both build on Christian Dior's rich heritage and legacy. Today, Parfums Christian Dior allocates 1.2% of its revenue to research and is on the cutting edge of innovation.

Guerlain, founded in 1828 by Pierre François Pascal Guerlain, has created more than 700 perfumes since its inception. The brand has developed an exceptional image in the perfume universe and many of its creations have enjoyed remarkable longevity. Guerlain's iconic perfumes include *Shalimar*, *L'Instant de Guerlain* and *La Petite Robe Noire* as well as *Mon Guerlain*, which was launched in 2017. Today it is also known for its makeup and skincare lines, including *Orchidée Impériale* and *Abeille Royale*.

Parfums Givenchy, founded in 1957, complements Givenchy's fashion lines with a range of fragrances for women and men, including *Amarige*, *Organza*, *Very Irrésistible*, in addition to *Givenchy Pour Homme*, and *Gentlemen Only*, and has also developed a rich cosmetics offering, including now-iconic makeup lines such as *Le Rouge* and *Prisme Libre*, as well as a skincare line.

Parfums Kenzo appeared in 1988, and developed with the success of *FlowerbyKenzo*, launched in 2000. The brand diversified its activities in the "well-being" segment by launching the *KenzoKi* line in 2001. In subsequent years, it launched the *KenzoAmour* fragrance for women and created the *KenzoHomme* line for men. In 2016, it launched *Kenzo World*, a new women's perfume, as part of a drive to establish closer ties with the fashion world and expand the brand's customer base.

Benefit Cosmetics, founded in San Francisco in 1976, joined the Group in late 1999. The brand owes its rapid success to the high quality of its beauty and makeup products, which convey a true sense of pleasure and are enhanced by the playful aspect of the product names and packaging. In addition to sales through its 79 exclusive boutiques around the world (United States, Asia, Europe, Australia), the brand currently retails at around 5,500 points of sale in some 50 countries worldwide.

Fresh, created in 1991, joined the Group in September 2000. The brand initially built its reputation by creating body care products inspired by ancestral beauty recipes and entirely natural and high-quality fragrances, before expanding its concept to makeup and haircare products.

Parfums Loewe introduced its first perfume in 1972. A major player in Spain, the brand is also developing its international business, primarily in Russia, the Middle East and Latin America.

Make Up For Ever, created in 1984, joined the Group in 1999. The brand specializes in professional makeup and its applications for consumers. Its products are sold through exclusive boutiques in Paris, New York, Los Angeles and Dallas, and through a number of selective retailing circuits, particularly in France, Europe and the United States (markets developed in partnership with Sephora), as well as in China, South Korea and the Middle East.

Acqua di Parma, founded in 1916 in Parma and acquired by the Group in 2001, is a luxury perfume brand and a symbol of Italian high fashion. The brand specializes in perfumes and skincare and has diversified its product line to include home scents and linens. Now based in Milan, Acqua di Parma relies on an exclusive retailing network, including a brand store in Milan and Paris.

Kendo is a cosmetics brand incubator set up in 2010, which now houses five brands: Kat Von D, Marc Jacobs Beauty, Ole Henriksen, lipstick specialist Bite Beauty, and Fenty Beauty, which was launched in 2017. These brands are primarily distributed by Sephora.

Maison Francis Kurkdjian was founded in 2009 by Francis Kurkdjian, a renowned perfumer, to create a new multi-faceted landscape of olfactory free expression encapsulating French savoir-vivre. This acquisition, which was completed in 2017, has established the Group in the fast-growing segment of niche perfumes.

3.2. COMPETITIVE POSITION

In France, where the prestige beauty product market shrank by 1.4% in 2017 compared with 2016, the Group kept the contraction in its sales below the market average, maintaining its market share. Likewise, in Italy, the sales decline registered by the Group was below the market average, allowing it to increase its market share at the end of 2017. Conversely, the Group's sales in Spain lagged behind the 7.2% expansion in the market. Trends remain highly positive in Asia (source: Beauty Research sell-out panel, November 30, 2017), including in China, where the Group's market share surged, despite a vibrant performance that nonetheless underperformed the market at large in Japan. In the United States, the Group successfully defended its positions by achieving growth almost in line with the broader market.

3.3. RESEARCH IN PERFUMES AND COSMETICS IN 2017

In recent years, the cosmetics market has been rocked by some major changes as a result of the digital revolution, regulatory changes, the emergence of a plethora of "indie" brands and the surge in Asian markets. Generation Z's inspirational rise to the fore has brought with it new consumer trends shaped by a profound attachment to natural and authentic products.

In this highly competitive environment, the Group continued to step up the pace of all its innovation programs, forging stronger links with non-Group partners and adding new business areas and skills. It nurtured its agile organization methods and built closer ties with its Maisons to achieve a single goal: becoming its end customers' favorite brand, owing to the exceptional quality of its products.

In 2017, its innovation was evident in several new products. Dazzling lipstick shades should be both comfortable and long-lasting. The texture of the *Dior Addict Gel lacquer* stick made using the backfill technique – three times more fondant than a conventional stick – imparts a smooth, thin layer of glossy shine. At Make-Up For Ever, *Rouge Artist Satin*'s ultra-pigmented formula delivers an opaque makeup that lasts for more than eight hours. Guerlain has introduced *KissKiss Matte*, its first-ever matte lipstick with a hydrating and plumping effect. As comfortable as a balm, this lipstick contains a subtle spice extract and a next-generation hyaluronic acid that smooths and shapes the smile. *Dior Addict Lip Tattoo* is a real feat of formulation. This more than 50% water-based emulsion infused with "no material" and "no transfer" colored pigments is very easy to apply, just like Guerlain's *Lingerie de Peau Aquanude* foundation, which smooths and evens out the complexion with an intangible natural veil. *Diorskin Forever Mousse* foundation is available in a new form that instantly delivers a long-lasting, extra-matte, non-powdery finish. Dior has moved away from the traditional packaging by developing a squeezable pack that puts just the right amount of mascara on the brush. With its new pump and new mascara architecture, the *Diorshow Pump 'N' Volume* has pushed back the limits of what is achievable almost instantly with an ultra-volumizing formula across the entire eyelash. Givenchy is reinventing mascara and has added an innovative 90° bendable brush to its *Noir Interdit* to create a lash extension effect. Similarly, makeup removal can become a time to treasure. Formulated with Sucragel CF that creates D-phase gel, Givenchy's *Soin Noir Rituel de Nettoyage* turns into fine and gentle oil on contact with the user's fingers and then into a white emulsion on contact with water, leaving skin pure, soft and radiant.

In skincare, the latest discoveries in the field of skin cell hypoxia (lack of oxygen) have given rise to a new technology known as Cell Respiration, which lies at the heart of the next generation of Guerlain's *Orchidée Impériale* anti-aging cream. The latest discoveries about how the brain interacts with the skin have unlocked more of the secrets of the skin's self-repair mechanisms and how to correct signs of aging. The skin's repair mechanisms are linked to its neuro-sensorial functions. Guerlain has developed a new technology based on an oil used in ayurvedic medicine. Preserved intact in microbeads, this oil is kept completely protected from the other components. Upon application, the beads melt away instantly when they come into contact with the fingers, releasing the biologically active molecules.

Remaining loyal to its desire to protect the environment, LVMH Recherche is continuing with its efforts to focus on natural products. Dior's *Hydra Life* line offers a new sensory experience through its novel formulations, featuring 82% naturally derived ingredients, and exceptional hydration resulting from a new approach that acts on the skin flora to boost hydration. Dior's *La Micro-Huile de Rose* is a highly concentrated blend of exclusive active ingredients extracted from the Granville rose encapsulated in micro-pearls. This micro-oil recharges the skin by delivering micro-nutrients and providing it with endogenous nutrition for the first time.

In the anti-aging segment, to meet demand from women keen to delay any signs of aging, Dior's *Capture Youth* is a cream that draws on predictive medicine to help fight the appearance of signs of aging by acting on glyoxalase, a key enzyme at the early stages of the oxidation mechanisms for skin aging.

To guard against stress and pollution, *One Essential* provides greater protection against volatile organic compounds (VOCs), pollutants found everywhere, including indoors, using a natural hibiscus extract, and Givenchy's *L'Intemporel* shelters the skin from the aging caused by ultra-violet and infra-red rays.

Fresh's *Lotus Youth Preserve Rescue Mask* offers a completely new sensory experience for tired skin. In contact with water, the mask with its gelling polymer is transformed into a voluptuous cocoon that works to gently buff and refine, restoring the skin's vitality.

Innovation, performance and superior sensorial properties are the guiding principles for LVMH Recherche. Connected to the world, by strengthening its research teams in Asia in particular (Japan, China and South Korea) it has been able to obtain key economic and technological information from these markets in real time. A number of products are the result of international collaborations with universities and businesses of various sizes, including startups. Numerous scientific communications at international conventions provide the opportunity to continuously enhance its network of researchers and pave the way for new scientific territories and partnerships.

3.4. SUPPLY SOURCES AND SUBCONTRACTING

The five French production centers of Guerlain, Parfums Christian Dior and LVMH Fragrance Brands meet almost all the manufacturing needs of the four major French brands, including Kenzo Parfums, in fragrances as well as makeup and beauty products. Make Up For Ever also has manufacturing capacities in France. Benefit, Parfums Loewe and Fresh have some of their products manufactured by the Group's other brands, with the remainder subcontracted externally.

Overall, manufacturing subcontracting represented about 6% of the cost of sales for this activity in 2017, plus approximately 11 million euros for logistics subcontracting.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used to create the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

The product formulas are developed primarily in the Saint-Jean-de-Braye (France) laboratories, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

4. Watches and Jewelry

The Watches and Jewelry business group holds a portfolio of top-quality watch and jewelry brands with highly complementary market positions: TAG Heuer, the world's leading maker of luxury sports watches and chronographs; Hublot, a high-end watchmaker; the luxury watchmaker Zenith, which has its own manufacture; Montres Dior, which offers collections inspired by the designs of the fashion house; Bvlgari, the pace-setter for Italian fine jewelry since 1884; Chaumet, the prestigious historic jeweler on Place Vendôme in Paris; Fred, a designer of contemporary jewelry pieces. The stakes held in the De Beers Diamond Jewellers joint venture were divested during the year.

The business group has already deployed internationally, strengthened the coordination and pooling of administrative resources, expanded its sales and marketing teams, and progressively began to establish a network of after-sale multi-brand services worldwide to improve customer satisfaction. The Watches and Jewelry business group has a territorial organization that covers all European markets, the American continent, northern Asia, Japan, and the Asia-Pacific region.

In watchmaking, manufacturing has been coordinated through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers. In jewelry, centralized checking has been introduced for diamonds, alongside technical cooperation between brands for the development of new products.

In 2017, the Watches and Jewelry business group posted revenue of 3,805 million euros, which represented 9% of the Christian Dior group's total revenue.

4.1. THE BRANDS OF THE WATCHES AND JEWELRY BUSINESS GROUP

TAG Heuer, founded in 1860 in the Swiss Jura town of Saint-Imier and acquired by the Group in November 1999, has forged strong ties over the years with the world of competitive sports, reflected in the brand's core performance values. TAG Heuer is recognized for the quality and precision of its timepieces, combined with cutting-edge design aesthetics. Its most coveted traditional and automatic watches and chronographs are the *Carrera*, *Aquaracer*, *Formula 1*, *Link* and *Monaco* lines. In 2010, TAG Heuer launched the first automatic movement developed and built in-house, followed, in 2015, by the launch of a smartwatch.

Hublot, founded in 1980 and part of the Group since 2008, has always been an innovative brand, creating the first watch in the industry's history fitted with a natural black rubber strap. Relying on a team of top-flight watchmakers, the brand is widely renowned for its original concept combining noble materials with state-of-the-art technology and for its iconic *Big Bang* model launched in 2005. Along with the many versions of this model, Hublot has launched the *Classic Fusion* and the more recent *Spirit of Big Bang* lines.

Zenith, founded in 1865 and established in Le Locle near the Swiss Jura region, joined the Group in November 1999. Zenith belongs to the very select group of watch movement manufactures. In the watchmaking sector, the term manufacture designates a company that provides the entire design and manufacturing of mechanical movements. The two master movements of Zenith, the chronograph *El Primero* and the extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand. In 2017, Zenith launched its innovative new *Defy* models.

Bvlgari, founded in 1884, stands for creativity and excellence worldwide and is universally recognized as one of the major players in its sector. The long-celebrated Italian brand occupies a strong leadership position in jewelry, with an outstanding reputation for its expertise in combining colored gemstones and watches, while also playing an important role in the fragrance and accessories segments. Iconic lines include *Serpenti*, *B.zero1*, *Diva* and *Octo*.

Chaumet, a jeweler established in 1780, has maintained its prestigious expertise, which is reflected in all its designs, whether high-end jewelry pieces, jewelry or watch collections. Its major lines are *Joséphine* and *Liens*. The Group acquired Chaumet in 1999.

Fred, founded in 1936 and part of the Group since 1995, is present in high-end jewelry, jewelry and watchmaking. Since joining the Group, Fred has completely revamped its design, image and distribution. This revival can be seen in the bold, contemporary style exemplified by the brand's iconic *Force 10* line.

4.2. COMPETITIVE POSITION

The growth rate posted in 2017 by the Watches and Jewelry business group's watch business outpaced the increase in Swiss watch exports, which rose by 3% over the period.

The jewelry market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands from a large number of different countries. The Group's brands are present right around the world, and it has established itself as one of the international leaders, alongside Richemont and Tiffany.

4.3. DISTRIBUTION

The Watches and Jewelry brands' directly operated store network comprised 405 stores as of December 31, 2017 at prestigious locations in the world's largest cities. The Watches and Jewelry business group has also developed a network of franchises.

4.4. SUPPLY SOURCES AND SUBCONTRACTING

At its Swiss workshops and manufacturing centers, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Tramelan, Le Sentier, Chevenez and Nyon, the Group assembles a substantial proportion of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bvlgari, Montres Dior, Chaumet and Fred brands; it also designs and manufactures mechanical movements such as *El Primero* and *Elite* by Zenith, *Heuer 01* by TAG Heuer, *UNICO* by Hublot and *Solotempo* by Bvlgari; and it manufactures some critical components such as dials, cases and straps. Zenith's manufacture in Le Locle underwent a major renovation in 2012. In 2013, TAG Heuer inaugurated a new movement manufacturing facility in Chevenez, and in 2015 Hublot opened a second one at its Nyon site.

At the end of 2016, Bvlgari opened a jewelry manufacturing facility in Valenza, Italy. It also operates a high jewelry workshop in Rome.

In the watch business, subcontracting accounted for around 10% of the cost of sales in 2017.

Even though the Watches and Jewelry business group can sometimes use third parties to design its models, they are most often designed in its own studios.

5. Selective Retailing

The Selective Retailing businesses are organized to promote an environment that is appropriate to the image and status of the luxury brands. These companies are expanding in Europe, North America, Asia, the Middle East and Latin America, and operate in two segments: travel retail (the sale of luxury products to international travelers), the business of DFS and Starboard Cruise Services, and the selective retail concepts represented by Sephora and the Paris department store Le Bon Marché.

In 2017, the Selective Retailing business group posted revenue of 13,311 million euros, or 31% of the Christian Dior group's total revenue.

5.1. TRAVEL RETAIL

DFS

Duty Free Shoppers ("DFS") joined the Group in 1997.

DFS is the pioneer and the world leader in the sale of luxury products to international travelers. Its activity is closely linked to tourism cycles.

Since it was formed in 1960 as a duty-free concession in the Kai Tak airport in Hong Kong, DFS has acquired an in-depth knowledge of the needs of traveling customers, built solid partnerships with Japanese and international tour operators, and has significantly expanded its business, particularly in the tourist destinations in the Asia-Pacific region.

The strategy of the DFS group is focused on the development and promotion of its city-center *Galleria* stores, which currently account for nearly 60% of its revenue.

With floor areas of around 6,000 to 12,000 square meters, the *Gallerias* are located in the urban centers of major airline destinations in Asia-Pacific, the United States and Japan. Each space combines in one site, close to the hotels where travelers are lodged, two different, but complementary sales spaces: a general luxury product offering (including perfumes and cosmetics, fashion and accessories) and a gallery of boutiques operated by prestigious brands whether included in the Group's portfolio or not (such as Louis Vuitton, Hermès, Bvlgari, Tiffany, Christian Dior, Chanel, Prada, Fendi and Céline).

While focusing on the development of its *Gallerias*, which are its main source of growth, DFS maintains its strategic interest in the airport concessions if these can be obtained or renewed under good financial terms. DFS is currently present at some twenty international airport sites in the Asia-Pacific, the United States, Japan and Abu Dhabi.

Starboard Cruise Services

Starboard Cruise Services, acquired by the Group in 2000, is an American company founded in 1958, the world leader in the sale of duty-free luxury items on board cruise ships. It provides services to nearly 90 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.

5.2. SELECTIVE RETAIL

Sephora

Sephora, founded in 1969, has developed over time a perfume and beauty format that combines direct access and customer assistance. This concept led to a new generation of stores with a sober and luxurious architecture, designed in three spaces dedicated to perfumes, makeup and skincare respectively. Based on the quality of this concept, Sephora has gained the confidence of selective perfume and cosmetics brands. In addition, Sephora has offered products sold under its own brand name since 1995 and has developed a line of exclusive products thanks to its close ties with brands selected for their bold ideas and creativity.

Since it was acquired by the Group in July 1997, Sephora has recorded rapid growth in Europe by opening new stores and acquiring companies having set up perfume retail chains. Sephora is present in 16 European countries. The Sephora concept also crossed the Atlantic in 1998, with a strong presence in the United States, a website (sephora.com) and a store network in Canada. Sephora entered the Chinese market in 2005. Having entered the Middle East in 2007, the brand has stores in five countries at the end of 2015. After entering the South American market in 2010 with its acquisition of Sack's, the leading online retailer of selective perfumes and cosmetics in Brazil, Sephora has reinforced its presence in this country and in Mexico. Sephora has also reaffirmed its presence in Russia, raising its stake in Ile de Beauté, a perfume and cosmetics retail chain, to 100%. Starting in 2008, Sephora has also developed its presence in Southeast Asia, opening its first stores in Singapore and then in Malaysia, India and Thailand. In 2014, the brand continued expanding in the region and marked its debut in Australia and Indonesia. In 2015, geographic expansion continued with the acquisition of the e-commerce site Luxola, which is present in eight countries in Southeast Asia.

Le Bon Marché

Established in 1852, Le Bon Marché Rive Gauche was a pioneer of modern marketing in the 19th century. The sole department store located on the left bank in Paris, it was acquired by the Group in 1998.

Le Bon Marché Rive Gauche has a food store, La Grande Épicerie de Paris. Since 1994, it has also owned Franck et Fils, located on rue de Passy in the city's 16th arrondissement. This building was transformed in 2017 to house a second site for La Grande Épicerie de Paris, which opened in November 2017. In recent years, a fundamental overhaul that included the renovation and remodeling of its sales spaces, together with moving to a more upscale product offer, strengthened the identity of Le Bon Marché. Famous for its product offerings and service policy, which sets the bar very high, Le Bon Marché Rive Gauche is now the most exclusive and creative department store in Paris.

5.3. COMPETITIVE POSITION

Following the recent round of market consolidation, DFS was the fourth-ranked travel retail operator at year-end 2016. In the United States, Sephora has been the market leader since the first quarter of 2016, and continued to make headway in 2017. In France, where the prestige beauty product market declined by 2.8% in 2017 compared with 2016, Sephora saw its share decline, but it remained the leading player. In addition, Sephora continued to gain market share in Canada, where it has led the market since 2015, and in Italy.

6. Other activities

The Other activities segment includes the media division managed by the Les Echos group, La Samaritaine, the Dutch luxury yacht maker Royal Van Lent, Cheval Blanc hotel operations and since 2013, the Cova patisserie business, based in Milan (Italy).

Les Echos group

The Christian Dior group acquired the Les Echos group in 2007. The Les Echos group includes Les Echos, France's leading financial newspaper, LesEchos.fr, the top business and financial website in France, the business magazine Enjeux-Les Echos, as well as other specialized business services. The Les Echos group also holds several other financial and cultural media titles that were previously directly owned by the Group: Investir – Le Journal des Finances, resulting from the 2011 merger of two financial weeklies; Connaissance des Arts; and the French radio station Radio Classique. Les Echos group also publishes trade journals, with titles produced by SID Presse, and is active in the business-to-business segment, with the organizations Les Echos Formation and Les Echos Conférences, the trade show Le Salon des Entrepreneurs, and Eurostaf market studies. Since late 2015, Les Echos has also encompassed the Le Parisien daily newspaper and its Aujourd'hui en France magazine.

La Samaritaine

La Samaritaine is a real estate complex located at the heart of Paris, beside the Seine river. It comprised a department store in addition to leased office and retail space until 2005 when the department store was closed for safety reasons. La Samaritaine is undergoing a large-scale renovation project which adheres to an innovative environmental approach. Several activities will be grouped together in its buildings on the two blocks between the Quai du Louvre and the Rue de Rivoli: a department store, a 72-room Cheval Blanc luxury hotel, 96 social housing units, a daycare center and offices. The building permit granted at the end of 2012 was definitively validated by order of France's Supreme Administrative Court (Conseil d'État) on June 19, 2015.

Royal Van Lent

Founded in 1849, Royal Van Lent designs and builds luxury yachts according to customers' specifications and markets them under the Feadship brand, one of the most prestigious in the world for yachts over 50 meters.

LVMH Hotel Management

LVMH Hotel Management is the spearhead of the Group's business development in hotels, under the Cheval Blanc brand. The Cheval Blanc approach, based on the founding values of craftsmanship, exclusivity, creativity and hospitality, is applied at all of its hotels, whether proprietary or independently managed. Cheval Blanc has locations in Courchevel (France), Saint-Barthélemy (French Antilles) with the hotel acquired in 2013, and the Maldives.

Management report of the Board of Directors

CHRISTIAN DIOR GROUP

1. Business review and comments on the consolidated financial statements of the Christian Dior group

At the Combined Shareholders' Meeting of December 1, 2015, the shareholders adopted a resolution to change the dates on which the fiscal year begins and ends to January 1 and December 31 of each calendar year (Article 24 of the Bylaws). By exception, the fiscal year that began on July 1, 2016 ended on December 31, 2016. In 2017, Christian Dior's fiscal year once again coincided with LVMH's (January 1 – December 31, 2017). To help readers understand the change in business activity, pro forma figures for the 12-month calendar year from January 1 to December 31, 2016 are also shown in the tables below.

Key event during the fiscal year

On July 3, 2017, as part of the project aimed at simplifying the structure of the Christian Dior – LVMH group and pursuant to the terms of the memorandum of understanding signed with LVMH on April 24, 2017, Christian Dior SE sold 100% of the Christian Dior Couture segment (including Grandville and its subsidiary Christian Dior Couture) to LVMH for a net amount of 6 billion euros.

Consequently, Christian Dior's ownership interest in the Christian Dior Couture segment went from 100% in the first half of 2017 to 41.3% in the second half of 2017.

Since LVMH is fully consolidated within Christian Dior's consolidated financial statements, this change has no effect on net profit. Group consolidated reserves (before minority interests) were reduced by 498 million euros, corresponding to the portion of net assets transferred to minority interests (351 million euros), costs (5 million euros) and tax on the capital gain (143 million euros after taking into account tax loss carryforwards).

1.1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1.1. Analysis of revenue

(EUR millions and as %)	First-half 2017	Second-half 2017	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma (a)
Revenue	20,744	22,922	43,666	39,501
Growth at actual exchange rates	15%	7%	11%	5%
Organic growth	12%	12%	12%	6%
Changes in the scope of consolidation	1%	-	1%	-
Exchange rate fluctuations (b)	2%	-5%	-2%	-1%

(a) Limited review procedures with no report issued.
(b) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 32.

Revenue for fiscal year 2017 totaled 43,666 million euros, up 11% at current exchange rates relative to pro forma figures for calendar year 2016. A number of the Group's invoicing currencies weakened against the euro, notably the US dollar, thus lowering consolidated revenue by 2 points.

The following changes to the Group's consolidation scope have occurred since January 1, 2016: in Fashion and Leather Goods, the Donna Karan brand was sold in December 2016 and the Group acquired 80% of high-end luggage manufacturer Rimowa in January 2017. These changes in the scope of consolidation made a positive contribution of 1 point to revenue growth.

On a constant consolidation scope and currency basis, revenue increased by 12%.

The sale of the Christian Dior Couture segment to LVMH by Christian Dior SE on July 3, 2017 changed the presentation of the various business groups: until the first half of 2017, Christian Dior Couture was reported as a separate business group within the financial statements of Christian Dior. For comparison purposes, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 and all periods shown.

Revenue by invoicing currency

(as %)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [a]	Fiscal year 2016 6 months (from July 1 to Dec. 31, 2016)
Euro	23	23	23
US dollar	30	31	31
Japanese yen	7	7	7
Hong Kong dollar	6	6	6
Other currencies	34	33	33
TOTAL	**100**	**100**	**100**

(a) Limited review procedures with no report issued.

The breakdown of revenue by invoicing currency evolved slightly: the contributions of the euro, the Japanese yen and the Hong Kong dollar remained stable at 23% 7% and 6% respectively, the contribution of the US dollar fell by 1 point to 30% while that of other currencies rose by 1 point to 34%.

Revenue by geographic region of delivery

(as %)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [a]	Fiscal year 2016 6 months (from July 1 to Dec. 31, 2016)
France	10	10	10
Europe (excluding France)	19	18	19
United States	25	26	26
Japan	7	7	7
Asia (excluding Japan)	28	27	26
Other markets	11	12	12
TOTAL	**100**	**100**	**100**

(a) Limited review procedures with no report issued.

By geographical region and compared with pro forma figures for calendar year 2016, Asia (excluding Japan) accounted for 28% of Group revenue, up 1 percentage point. The contribution made by Europe (excluding France) also increased 1 percentage point to 19% of Group revenue, while the United States and Other markets each declined 1 percentage point, to 25% and 11% of Group revenue, respectively. The relative contributions of France and Japan remained stable at 10% and 7%, respectively.

Revenue by business group

(EUR millions and as %)	Fiscal year 2017 12 months	%	Calendar year 2016 12 calendar months, pro forma [(a)]	%	Fiscal year 2016 6 months, (from July 1 to Dec. 31, 2016)	%
Wines and Spirits	5,084	12	4,835	12	2,779	13
Fashion and Leather Goods [(b)]	16,519	38	14,711	37	7,933	37
Perfumes and Cosmetics	5,560	13	4,953	13	2,616	12
Watches and Jewelry	3,805	9	3,468	9	1,859	9
Selective Retailing	13,311	30	11,973	30	6,493	30
Other activities and eliminations	(613)	-	(439)	-	(244)	-
TOTAL	**43,666**	**100**	**39,501**	**100**	**21,436**	**100**

(a) Limited review procedures with no report issued.
(b) Following the sale within the consolidated group, on July 3, 2017, of the Christian Dior Couture segment by Christian Dior SE to LVMH SE, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.

By business group, the breakdown of Group revenue remained nearly unchanged compared with calendar year 2016 (pro forma). The contribution made by Fashion and Leather Goods increased 1 percentage point. The contributions of Wines and Spirits, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing remained stable at 12%, 13%, 9% and 30%, respectively.

Wines and Spirits saw an increase in revenue of 5% based on published figures. Revenue for the business group increased by 7% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations weighing it down by 2 points. This performance was largely driven by an increase in volumes. Demand remained very strong in the United States and in China, with the latter still the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 13%. The positive consolidation scope impact of 1 point resulting from the integration of Rimowa, tempered by the negative impact due to the December 2016 sale of Donna Karan, together with the negative exchange rate impact of 2 points, brought this growth to 12% based on published figures. This business group's performance was driven by the very solid momentum achieved by Louis Vuitton, as well as by Christian Dior Couture, Loewe, Kenzo, Fendi, Berluti and Loro Piana, which confirmed their potential for strong growth.

Revenue for Perfumes and Cosmetics increased by 12% based on published figures and by 14% on a constant consolidation scope and currency basis. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures. The Perfumes and Cosmetics business group saw very significant revenue growth across all regions worldwide, and in particular in Asia.

Revenue for Watches and Jewelry increased by 10% based on published figures and by 12% on a constant consolidation scope and currency basis. This business group benefited from the excellent performance of Bvlgari; Chaumet, Hublot and Fred saw strong gains. Asia and Europe were the most buoyant regions.

Revenue for Selective Retailing increased by 11% according to published figures and 13% on a constant consolidation scope and currency basis. This performance was driven by Sephora, which saw very appreciable growth in revenue as well as the return of Chinese tourists to areas where DFS has many locations.

1.1.2. Profit from recurring operations

(EUR millions)	**Fiscal year 2017** 12 months	**Calendar year 2016** 12 calendar months, pro forma [(a)]	**Fiscal year 2016** 6 months (from July 1 to Dec. 31, 2016)
Revenue	43,666	39,501	21,436
Cost of sales	(15,084)	(13,553)	(7,401)
Gross margin	28,582	25,948	14,035
Marketing and selling expenses	(16,959)	(15,635)	(8,180)
General and administrative expenses	(3,250)	(3,067)	(1,618)
Income (loss) from investments in associates	-	6	1
Profit from recurring operations	**8,373**	**7,252**	**4,238**
Current operating margin *(%)*	**19.2**	**18.4**	**19.8**

(a) Limited review procedures with no report issued.

The Group achieved a gross margin of 28,582 million euros, up 10% compared to the calendar year 2016 (pro forma). As a percentage of revenue, the gross margin was 65.5% in 2017, compared with 65.7% in 2016.

Marketing and selling expenses, which totaled 16,959 million euros, were up 8%. This increase was mainly due to the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics.

The level of these expenses as a percentage of revenue fell by 0.7 points to 39%. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue for fiscal year 2017.

Administrative expenses totaled 3,250 million euros, up 6%. They amounted to 7% of revenue, down 0.3 points compared to calendar year 2016 (pro forma).

The geographic breakdown of stores is as follows:

(number)	**Dec. 31, 2017** [(a)]	**Dec. 31, 2016** [(b)]
France	508	507
Europe (excluding France)	1,156	1,106
United States	754	730
Japan	412	403
Asia (excluding Japan)	1,151	1,055
Other markets	393	347
TOTAL	**4,374**	**4,148**

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.
(b) Excluding Rimowa, whose network was integrated in 2017.

Profit from recurring operations by business group

Profit from recurring operations *(EUR millions)*	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [(a)]	Fiscal year 2016 6 months (from July 1 to Dec. 31, 2016)
Wines and Spirits	1,558	1,504	939
Fashion and Leather Goods [(b)]	5,022	4,125	2,421
Perfumes and Cosmetics	600	551	279
Watches and Jewelry	512	458	253
Selective Retailing	1,075	919	509
Other activities and eliminations	(394)	(305)	(163)
TOTAL	**8,373**	**7,252**	**4,238**

(a) Limited review procedures with no report issued.
(b) Following the sale within the consolidated group, on July 3, 2017, of the Christian Dior Couture segment by Christian Dior SE to LVMH SE, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.

The Group's profit from recurring operations was 8,373 million euros, up 15%. The Group's operating margin as a percentage of revenue was 19.2%, up 0.8 points compared with calendar year 2016 (pro forma).

Wines and Spirits

(EUR millions and as %)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [(a)]	Fiscal year 2016 6 months (from July 1 to Dec. 31, 2016)
Revenue	5,084	4,835	2,779
Profit from recurring operations	1,558	1,504	939
Operating margin	30.6	31.1	33.8

(a) Limited review procedures with no report issued.

Profit from recurring operations for Wines and Spirits was 1,558 million euros, up 4% compared to calendar year 2016. Champagne and wines contributed 674 million euros while Cognacs and spirits accounted for 884 million euros. This performance was the result of both sales volume growth and a policy of significant price increases. The operating margin as a percentage of revenue for this business group decreased by 0.5 points to 30.6%, still a very high level.

Fashion and Leather Goods [(a)]

(EUR millions and as %)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [(b)]	Fiscal year 2016 6 months (from July 1 to Dec. 31, 2016)
Revenue	16,519	14,711	7,933
Profit from recurring operations	5,022	4,125	2,421
Operating margin	30.4	28.0	30.5

(a) Following the sale within the consolidated group, on July 3, 2017, of the Christian Dior Couture segment by Christian Dior SE to LVMH SE, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.
(b) Limited review procedures with no report issued.

Fashion and Leather Goods posted profit from recurring operations of 5,022 million euros, up 22% with respect to calendar year 2016. This sharp increase was driven by very strong performance in certain brands. Louis Vuitton maintained an exceptional level of profitability and, at the same time, Christian Dior Couture, Kenzo, Givenchy, Loro Piana and Fendi confirmed their profitable growth momentum. The business group's operating margin as a percentage of revenue grew by 2.4 points to 30.4%.

Perfumes and Cosmetics

	Fiscal year 2017	Calendar year 2016	Fiscal year 2016
(EUR millions and as %)	12 months	12 calendar months, pro forma [(a)]	6 months (from July 1 to Dec. 31, 2016)
Revenue	5,560	4,953	2,616
Profit from recurring operations	600	551	279
Operating margin	10.8	11.1	10.7

(a) Limited review procedures with no report issued.

Profit from recurring operations for Perfumes and Cosmetics was 600 million euros, up 9% compared to calendar year 2016. This growth was driven by Parfums Christian Dior, Kendo and Parfums Givenchy, which posted improved results thanks to the success of their flagship product lines and strong innovative momentum. The business group's operating margin as a percentage of revenue fell by 0.3 points to 10.8%.

Watches and Jewelry

	Fiscal year 2017	Calendar year 2016	Fiscal year 2016
(EUR millions and as %)	12 months	12 calendar months, pro forma [(a)]	6 months (from July 1 to Dec. 31, 2016)
Revenue	3,805	3,468	1,859
Profit from recurring operations	512	458	253
Operating margin	13.5	13.2	13.6

(a) Limited review procedures with no report issued.

Profit from recurring operations for Watches and Jewelry was 512 million euros, up 12% with respect to calendar year 2016. This increase was the result of strong performance at both Bvlgari and Hublot, with operating margin as a percentage of revenue rising by 0.3 points to 13.5%.

Selective Retailing

	Fiscal year 2017	Calendar year 2016	Fiscal year 2016
(EUR millions and as %)	12 months	12 calendar months, pro forma [(a)]	6 months (from July 1 to Dec. 31, 2016)
Revenue	13,311	11,973	6,493
Profit from recurring operations	1,075	919	509
Operating margin	8.1	7.7	7.8

(a) Limited review procedures with no report issued.

Profit from recurring operations for Selective Retailing was 1,075 million euros, up 17% compared to calendar year 2016. The business group's operating margin as a percentage of revenue rose by 0.4 points to 8.1%, mainly as a result of the improvement in Chinese tourist numbers to destinations where DFS has stores.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 394 million euros, a decline with respect to calendar year 2016. In addition to headquarters expenses, this heading includes the results of the Media division, Royal Van Lent yachts, and hotel and real estate activities.

1.1.3. Other income statement items

(EUR millions)	Fiscal year 2017 12 months	Calendar year 2016 12 calendar months, pro forma [a]	Fiscal year 2016 6 months (from July 1 to Dec. 31, 2016)
Profit from recurring operations	8,373	7,252	4,238
Other operating income and expenses	(174)	(133)	(93)
Operating profit	8,199	7,119	4,145
Net financial income/(expense)	(203)	(471)	(284)
Income taxes	(2,243)	(2,054)	(1,137)
Net profit before minority interests	**5,753**	**4,594**	**2,724**
Minority interests	(3,513)	(2,830)	1,666
Net profit, Group share	**2,240**	**1,764**	**1,058**

(a) Limited review procedures with no report issued.

Other operating income and expenses amounted to a net expense of 174 million euros, compared to a net expense of 133 million euros in 2016 (pro forma). In 2017, Other operating income and expenses included -133 million euros in amortization and impairment charges for brands and goodwill. The remainder mainly consists of gains and losses on disposals, reorganization costs, and expenses relating to acquisitions.

The Group's operating profit was 8,199 million euros, up 15% compared to 2016 (pro forma).

The net financial expense for the fiscal year was 203 million euros, compared with a net financial expense of 471 million euros in 2016 (pro forma). This item comprises:

- the aggregate cost of net financial debt, which totaled 81 million euros, representing an improvement of 33 million euros compared with 2016 (pro forma) mainly due to a change in fair value adjustments of borrowings and interest rate hedges (for a positive impact of 31 million euros), which were 14 million euros positive in 2017, but 17 million euros negative in 2016;
- other financial income and expenses, which amounted to a net expense of 122 million euros, compared to a net expense of 357 million euros in 2016 (pro forma). The expense related to the ineffective portion of foreign exchange derivatives was 127 million euros, versus an expense of 333 million euros a year earlier, thus a decrease of 206 million euros in this expense, attributable to the change in the market value of derivatives. Lastly, other income from financial instruments, which mainly arose from capital gains on sales and impairment of short-term investments, amounted to net income of 5 million euros, compared to a net expense of 24 million euros in 2016.

The Group's effective tax rate was 28%, down 3 points compared to 2016, mainly as a result of the reimbursement of the dividend tax, sanctioned by the French Constitutional Court, and the exceptional surtax implemented by the French state in order to offset this reimbursement.

Profit attributable to minority interests was 3,513 million euros, compared to 2,830 million euros in 2016 (pro forma). Minority interests are essentially composed of LVMH SE shareholders excluding Christian Dior's controlling interest, i.e. shareholders owning 59% of LVMH SE, and minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 2,240 million euros, compared with 1,764 million euros in 2016 (pro forma). This equated to 5.1% of revenue in 2017, compared with 4.5% in 2016, an increase of 0.6 percentage points. The Group share of net profit in 2017 was up 27% compared to the Group share of net profit in 2016.

Comments on the impact of exchange rate fluctuations and changes in the scope of consolidation

The impact of exchange rate fluctuations is determined by translating the accounts for the period of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without any other restatements.

The impact of changes in the scope of consolidation is determined by deducting:

- for the period's acquisitions, revenue generated during the period by the acquired entities, as of their initial consolidation;
- for the prior period's acquisitions, current period revenue generated over the months of the prior period during which the acquired entities were not yet consolidated;

And by adding:

- for the period's disposals, prior period revenue generated over the months of the current period during which the entities sold were no longer consolidated;
- for the prior period's disposals, prior period revenue generated by the entities sold.

Profit from recurring operations is restated in accordance with the same principles.

1.2. WINES AND SPIRITS

1.2.1. Highlights

The Wines and Spirits business group posted revenue of 5,084 million euros in 2017, up 5% on a reported basis. Buoyant in Europe and Asia, the business group also saw robust growth in North America. Champagnes grew steadily, with volumes up 4%. Hennessy saw an 8% volume increase and exceeded 7.5 million cases in cognac shipments.

Profit from recurring operations for Wines and Spirits was 1,558 million euros, up 4% compared to calendar year 2016. The operating margin as a percentage of revenue for this business group decreased by 0.5 points to 30.6%, still a very high level.

1.2.2. Main developments

Champagnes and wines

Moët & Chandon had another record-setting year, with gains across all regions, thus consolidating its leading position. Alongside *Moët Impérial*'s solid growth, *Ice Impérial* built further on its success, while *Nectar Impérial Rosé* maintained its strong momentum in the United States. The release of the *Grand Vintage 2009* was one of the year's highlights.

Dom Pérignon reaffirmed the business group's value-enhancing strategy with the releases of *Dom Pérignon Rosé 2005* and *Dom Pérignon Blanc 2009*, celebrated through a new collaboration with Japanese artist Tokujin Yoshioka, as well as *Dom Pérignon P2 2000* (Second Plénitude), the ultimate expression of the champagne house's quest for excellence.

Mercier continued the targeted expansion of its accessible prestige champagnes.

Ruinart has further enhanced its value proposition around its premium cuvées. Its commitment to contemporary creation has been borne out with a fresh, immersive approach to its digital communications. Among these creative collaborations, the artist Jaume Plensa has offered a homage to Dom Thierry Ruinart in the form of a monumental sculpture.

Veuve Clicquot expanded its presence in all its key markets thanks to the success of its *Brut Carte Jaune* and *Brut Rosé* as well as its innovations *Rich* and *Rich Rosé*. Long known for its bold moves, Veuve Clicquot has launched *Extra Brut Extra Old*, the first champagne to marry a very low dosage with a composition consisting exclusively of reserve wines.

Growth at **Krug** has been buoyed by the launch of edition numbers for its iconic *Grande Cuvée*. "Les Créations de 2004", a duo comprised of *Krug 2004* and *Krug Grande Cuvée 160th Edition*, paired with a musical tribute, has met with great success.

Estates & Wines continued to develop its range of prestige wines with the release of the 2014 vintage of **Ao Yun** and the creation of the *Termanthia Barrel* in partnership with Loewe. **Chandon** has innovated with *Chandon Me*, the first sparkling wine designed to be enjoyed at room temperature, and *Chandon S Orange Bitters*, blended with fruit.

Cognac and spirits

Hennessy once again achieved revenue growth, confirming the relevance of its strategy. Driven by rising consumer demand, the recovery in China is now reconfirmed for all Hennessy products. The cognac house continued to roll out its range across the rest of Asia, where *Paradis Impérial* has seen strong growth. In its relentless pursuit of quality, Hennessy had to deal with supply constraints, which led to slower growth in the second half of the year. Growth remained robust in the United States where it pursued its upmarket strategy. It also made strong advances in Canada, Mexico and the Caribbean. Results in Europe have been buoyed by momentum in Russia and emerging markets have also performed well. Innovation is an essential driver for the brand – illustrated in particular by the launch of *Master Blender's Selection N°2* – as are its investments in new communication platforms. Showcasing Hennessy's confidence in the future, the new Pont Neuf facility unveiled in the fall masterfully blends artisanal traditions, manufacturing efficiency, the latest technological advances and environmental responsibility.

Glenmorangie and **Ardbeg** have reaffirmed their commitment to innovation in the single malt whisky universe, in particular with the releases of *Glenmorangie Bacalta* and *Ardbeg An Oa*. Affected by destocking in Asia, Glenmorangie's activity levels remained strong in Europe and in travel retail channels.

Belvedere saw further growth in Europe, consolidating its leading position in the ultra-premium vodka segment, with the launch of the *Single Estate Rye Series*, underscoring the importance of vodka's place of origin.

The launch of **Volcán De Mi Tierra** tequila in the United States and Mexico, together with the acquisition of **Woodinville** bourbon, have rounded out the business group's spirits portfolio in high-potential segments. **Colgin Cellars**, an estate producing exceptional wines in California, has also joined the Group.

Through its exclusive products and exceptional experiences, **Clos19**, an online platform created in 2017, invites consumers to discover an art of entertaining that is closely linked to the Group's brands.

1.2.3. Outlook

In 2018, the Wines and Spirits business group will continue to draw strength from its value-enhancing strategy and its entrepreneurial spirit, the creativity nurtured by all its companies, and the excellence of their products. Reinforcing production capabilities to support future growth while maintaining exceptional quality remains a key priority. Innovation is the second essential component: product launches, events, ambitious and groundbreaking communication campaigns, and new digital initiatives will be brought to bear to strengthen the image and desirability of each brand in the portfolio, always with a view to better anticipating the needs and expectations of consumers in rapidly changing markets. Against the backdrop of supplies which will remain relatively constrained, **Hennessy** will continue to rely on excellence and innovation. **Moët & Chandon** will accentuate its global reach by further reinforcing its image. In 2018, **Veuve Clicquot** will celebrate the bicentennial of the first ever blended Rosé created by Madame Clicquot, whose heritage can also be found in the launch of the *La Grande Dame* 2008 vintage, another tribute to this exceptional woman.

The business group's powerful and agile worldwide distribution network is a major asset, enabling it to seize opportunities to increase market share and adapt its business activities to a still uncertain geopolitical and economic context. The strong involvement of staff who serve a portfolio of exceptional brands will help the Group further consolidate its leading position in prestige wines and spirits.

1.3. FASHION AND LEATHER GOODS

1.3.1. Highlights

Fashion and Leather Goods posted 2017 revenue of 16,519 million euros, up 12% on a reported basis and up 13% on a like-for-like basis relative to calendar year 2016.

Fashion and Leather Goods posted profit from recurring operations of 5,022 million euros, up 22% with respect to calendar year 2016. The business group's operating margin as a percentage of revenue grew by 2.4 points to 30.4%.

1.3.2. Main developments

Louis Vuitton continues to make solid progress, reflecting its outstanding creativity and the even balance achieved between innovation and reinforcing its iconic brands. All the businesses contributed to the Maison's remarkable performance, with leather goods and ready-to-wear achieving particularly impressive growth. One of the highlights for 2017 was the collaboration with the American artist Jeff Koons for the *Masters* collection of bags and accessories "recreating" masterpieces by renowned painters. The two successive lines released in this collection stand as a technical and aesthetic achievement, illustrating the breadth of Louis Vuitton's expertise and the virtuosity of its artisans. In another important event, the Maison Louis Vuitton Vendôme opened its doors. This new Paris flagship store, which looks out onto one of the city's most legendary squares, offers a fascinating new showcase for the brand's spirit and collections. Accompanying these bold initiatives, Louis Vuitton saw strong momentum in all its business lines with a series of creative triumphs: a highly successful capsule collection in collaboration with the New York-based cult streetwear brand Supreme, the *Tambour Horizon* connected watch, the *Blossom BB* jewelry line, the *Conquêtes* fine jewelry collection, and the new *Horizon* luggage models developed in partnership with the designer Marc Newson. The Miho Museum near Kyoto, designed by I. M. Pei, was the backdrop for the 2018 Cruise collection show, underscoring Louis Vuitton's strong ties with Japan. The actresses Léa Seydoux and Alicia Vikander continue to serve as its brand ambassadors. The "Volez, Voguez, Voyagez" ("Fly, Sail, Travel") exhibition added more stops in its round-the-world itinerary, setting down first in Seoul, and then in New York at the end of October where the exhibition added a virtual reality component: a mobile application treating its visitors to an immersive experience of the Louis Vuitton universe.

Christian Dior Couture's excellent performance has further enhanced its strong reputation and appeal. "Christian Dior: Designer of Dreams", an exhibition at the Musée des Arts Décoratifs in Paris celebrating the fashion house's 70th anniversary, was a huge success. In addition, the 2018 Cruise collection made a powerful impact on the runway in Los Angeles. The ready-to-wear and women's shoe collections received great acclaim. In leather goods, sales of the iconic *Lady Dior* bag have continued to grow, accompanied by the release of a special edition *Dior Lady Art* enlisting the creativity of ten of Dior's artist friends.

Fendi once again made strong advances. Its creative prowess was fully on display with the launch of the new *Kan-I* bag and the shows presenting its ready-to-wear and Haute Fourrure collections. Fendi further expanded the reach of its retail network, with store openings in Australia and Canada, at the Ginza Six shopping mall in Tokyo, as well as in San Francisco, New York, Singapore, and Chongqing in China. Fendi has also strengthened its ties with the city of Rome by becoming the lead partner of the Galleria Borghese.

Loro Piana has placed renewed emphasis on its premium quality products and a number of iconic standouts. Its communications campaign underscores the excellence of the materials used and the timeless elegance of its creations. Loro Piana recently put the finishing touches to its newly renovated flagship store in London, has expanded into Canada and is reinforcing its presence in Asia. It also opened its first pop-up store in Shanghai.

Céline has shown particularly robust momentum in leather goods, thanks to the excellent performance of its *Belt* handbag and the successful launches of its *Clasp* and *Big Bag* lines. Small leather items, jewelry and eyewear also saw strong growth. Céline has stepped up its digital efforts, with the launch of online sales in France in December.

Kenzo's impressive results continue to be driven by an ever more assured stylistic vision, helmed by its pair of Creative Directors. In January, Kenzo stepped up its innovative positioning by adopting a new calendar for its runway shows. Fashion Week events in March and September were selected to launch capsule collections *Memento N°1* and *Memento N°2*, celebrating Kenzo's heritage and its bold reinterpretation.

Loewe is seeing a solid level of growth in all its markets. Leather goods sales were buoyed by the strong performance of the *Puzzle* and *Hammock* models, and the ready-to-wear collections also achieved rapid growth. The summer capsule collection, *Paula's Ibiza*, was very well received. Loewe's Creative Director Jonathan Anderson was named Accessories Designer of the Year for 2017 at the Fashion Awards in London. Loewe has strengthened its commitment to preserving know-how by awarding its first Craft Prize celebrating excellence in craftsmanship.

Clare Waight Keller, appointed as **Givenchy**'s new Creative Director, presented her debut collection in October. Other exciting events of the year included the first collections in the new leather goods lines *Infinity* and *Duetto*, the opening of a store in Rome, a revamp for the Givenchy corporate website, and the launch of online sales in France.

Berluti delivered solid results in all its markets and opened its first store in Australia. Creative Director Haider Ackermann has brought a bold, modern aesthetic to the brand. Berluti's leather goods lines are making strong headway. Footwear saw solid growth and the brand is expanding its range of exceptional products.

Marc Jacobs remains focused on its reorganization and developing its contemporary fashion product lines. **Pucci** added to its sneaker collection, paying tribute to famous cities. **Rimowa**, consolidated for the first time in 2017, opened a flagship store in Paris and has launched its online store. **Thomas Pink** appointed John Ray as its Creative Director.

1.3.3. Outlook

In 2018, growth at **Louis Vuitton** will be spurred by its continuing creative momentum and quest for excellence across all its businesses. Its many upcoming developments, which remain focused on eliciting high levels of desirability, will be supported by regular, global communication efforts. Events hosted by the brand will continue to be associated with emblematic places around the world. It will continue reinforcing its production capacity and enhancing the quality of its exclusive retail network, with the constant aim of offering its customers exceptional shopping venues and unique experiences, both in its physical stores and in the digital realm. Product excellence and creativity will continue to drive growth at **Christian Dior Couture** and will be reflected in its communications, with many high-profile events throughout the year. It will also be targeting the expansion of its network of stores and will continue to explore development opportunities offered by digital tools while maintaining its exclusive image. Momentum at **Fendi**, driven by its sophisticated, bold designs, is expected to accelerate, thanks to a number of launches during the year, additional central locations in key cities, and expansion into new markets. All of the companies in the Fashion and Leather Goods business group will remain focused on the creativity of their collections, building on their iconic lines through innovation while achieving excellence in their retail networks, strengthening their online presence and digital communications.

1.4. PERFUMES AND COSMETICS

1.4.1. Highlights

Perfumes and Cosmetics posted revenue of 5,560 million euros in 2017, up 12% on a reported basis and up 14% on a like-for-like basis, representing buoyant growth, with momentum particularly strong in Asia.

Profit from recurring operations was 600 million euros, up 9% compared to calendar year 2016. The business group's operating margin as a percentage of revenue fell by 0.3 points to 10.8%.

1.4.2. Main developments

Parfums Christian Dior continued to show excellent momentum, delivered across all its product categories. Growth in the perfume segment was driven by the vitality of its iconic fragrances *J'adore* and *Miss Dior*, combined with the confirmed success of *Sauvage*. With the new editions *J'adore Injoy* and *Sauvage Very Cool Spray*, as well as the digital launch of an innovative global charitable initiative in connection with *Miss Dior*, called the Dior Love Chain, the brand is expanding its appeal to new generations of consumers. Parfums Christian Dior continues to reaffirm its status as a leading perfume house, driven by François Demachy's vision of excellence, his firm roots in Grasse where he has set up his creative laboratory Les Fontaines Parfumées, and the rebirth of Château de La Colle Noire, Christian Dior's former residence. This ambition has also inspired the development of a new range, Maison Christian Dior, aiming for a unique positioning in terms of its olfactory experiences, and its retail model. Under the creative supervision of Peter Philips, Dior's makeup lines strengthened their leading positions worldwide. Lip cosmetics turned in very strong results, in large part due to recent innovations, including *Rouge Dior Liquid* and *Dior Addict Lip Tattoo*. Also noteworthy are the success of *Forever Perfect Cushion* foundation, in great demand in Asia, and the excellent performance of *Diorshow Pump'n'Volume* mascara. The growing use of the digital realm for communications is playing a key role in makeup's steady advances. The *Prestige* skincare line strengthened its positions with the very promising launch of *La Micro-Huile de Rose*. Two standout products, *Dreamskin* and *One Essential*, were relaunched and the new *Dior Hydra Life* line of hydrating products performed well.

Guerlain increased its market shares in France and stepped up its development in China. The year's highlights include significant growth for its perfume segment, driven by the success of *Mon Guerlain*, with Angelina Jolie as the face of its campaign. The initial rollout of the Guerlain Parfumeur retail concept has revealed its potential, with five openings demonstrating both its strong appeal and its value as a highly effective sales model. Guerlain's results were fueled by growth in its *Orchidée Impériale* and *Abeille Royale* skincare lines and the strong advances made by lipsticks. Guerlain celebrated the 10th anniversary of its civic engagement and environmental program, "Au nom de la beauté", through which it has promoted sustainable design, biodiversity and social responsibility.

Parfums Givenchy had an excellent year, making further headway in Asia thanks to the success of its makeup lines. *Le Rouge*, its collection of leather-encased lipsticks, continues to show spectacular growth. The brand expanded its range with two key innovations: *Perfecto* and *Rouge Interdit*. In foundations, growth has been driven by *Prisme Libre* face powder, which enjoys a strong following among Chinese customers. Givenchy's classic men's fragrance *Gentleman* was met with success in its reinterpretation.

Momentum at **Kenzo Parfums** was driven by the women's fragrance lines *FlowerbyKenzo* and *Kenzo World*, which continued its international rollout. Digital innovations have strengthened the offbeat positioning and free-spirited vision that distinguish the brand.

Benefit Cosmetics extended its *Brow Collection*, consolidating its position as the world's leading authority in this makeup segment, and is exploring innovative concepts for foundations. **Make Up For Ever** focused on expanding its store network. The success of its new *Water Blend* foundation in Asia and the launch of the *Artist Face Color* blush palette were among the year's highlights. **Fresh** made further strong gains, fueled in particular by the success of its *Black Tea* and *Rose* lines in Asia. **Acqua di Parma** expanded its offerings with *Colonia Pura*, which had a very successful launch. **Kat Von D** and **Marc Jacobs Beauty** continued to expand at a fast pace. The makeup line **Fenty Beauty by Rihanna**, launched worldwide in the fall and available exclusively at Sephora, has already amassed a huge following.

Maison Francis Kurkdjian, an icon of a new generation of exclusive and highly promising perfumers since its creation in 2009, has joined the Group.

1.4.3. Outlook

In 2018, the Perfumes and Cosmetics business group will continue to make gains, fueled by the creativity of all its companies, the excellence of its research teams, as well as its considerable investments in communications and a strong digital presence. **Parfums Christian Dior** will continue to strengthen and reinterpret its iconic fragrances. Innovations in makeup will showcase its expertise, its mastery of the art of color, and its firm roots in fashion, with further developments in its digital platforms. Dior's skincare lines will be buoyed by the launch of a *Capture Youth* line specifically targeting consumers in their thirties and the extension of the *Prestige Micro-Huile* line. Dior will also be making a strong foray into the Asian markets, which are showing extremely large potential in skincare. **Guerlain** will celebrate 190 years of creativity with an exceptional exhibition at its flagship location on the Champs-Élysées in Paris during the LVMH Journées Particulières open-days event. Reaffirming its top-ranking status among perfumers, Guerlain will expand its cosmetics lines and continue to pursue growth internationally, in particular by opening new locations for its Guerlain Parfumeur stores. **Parfums Givenchy** will release new and innovative lip cosmetics and foundation products, and will be revisiting its classic women's fragrance *Irrésistible*. **Kenzo Parfums** will boost growth for its iconic *FlowerbyKenzo* line with a new communications campaign and will introduce a new series in the *Kenzo World* line. **Benefit Cosmetics** will launch a new mascara while continuing to innovate in the brow segment. **Make Up For Ever**, renowned for its expertise in foundations, will draw strength from its singular initiatives in this segment and from the international expansion of its online sales platform. **Fenty Beauty by Rihanna** will continue its rollout in 2018, supported by a robust program of innovations, particularly in the lip segment, with the lipstick *Mattemoiselle*.

1.5. WATCHES AND JEWELRY

1.5.1. Highlights

Watches and Jewelry posted 2017 revenue of 3,805 million euros, up 10% on a reported basis and up 12% on a like-for-like basis.

Profit from recurring operations for Watches and Jewelry was 512 million euros, up 12% with respect to calendar year 2016. This increase was the result of strong performance at both Bvlgari and Hublot, with operating margin as a percentage of revenue rising by 0.3 points to 13.5%.

1.5.2. Main developments

Growth for the Watches and Jewelry business group was driven by the creativity of its brands, their masterful watch craftsmanship and jewelry-making expertise, alongside the strong performance delivered by their stores. Momentum in the jewelry segment was remarkably robust and the watch business made solid gains despite market conditions which remain challenging, with particularly excellent results for the new products unveiled at Baselworld.

Bvlgari had an excellent year, further increasing its market share. The brand's jewelry lines reaped the full benefit of its creative prowess, wide-reaching reputation and effective event marketing strategy. New additions to the *Serpenti*, *B.Zero1* and *Diva* lines respectively include the *Viper* rings as well as the *Design Legend* and *Diva's Dream* collections. *Festa*, the year's high-end jewelry release, showcases Bvlgari's creative daring and Roman roots. In watches, the *Serpenti Skins*, fully customizable via an application, was highly successful and the *Octo* men's collection built on its breakthrough results, spurred by the launch of *Octo Finissimo*, twice prizewinner at the Grand Prix d'Horlogerie de Genève. Advances made by leather articles include the successful *Serpenti Forever* collection and a capsule collection developed with Nicholas Kirkwood. The spectacular transformation of Bvlgari's New York store on Fifth Avenue illustrates its unstinting commitment to the quality of its retail network. Bvlgari also continued with its program of pop-up store openings, which rounds out and energizes the network. Two new Bvlgari Hotels & Resorts locations were also opened in Beijing and Dubai. The ramp-up of the new manufacturing facility in Valenza is proceeding apace. A new training center for Bvlgari's artisans has opened its doors, propelling its teams to new heights of jewelry-making excellence.

Revenue growth at **TAG Heuer** substantiates the effectiveness of its core product development strategy, with additions to its leading *Carrera*, *Aquaracer* and *Formula 1* lines, and the reinterpretation of its iconic *Autavia* model. A next-generation smartwatch has been launched offering numerous customization options. TAG Heuer has made further improvements in its retail network and recently opened new stores in Melbourne, Las Vegas and London. New brand ambassadors have helped to raise TAG Heuer's profile among its target customers and boost its social media presence. Apart from its many contracts in the world of competitive sports, TAG Heuer has also joined forces with the avant-garde American graffiti artist Alec Monopoly.

Hublot continued its steady growth, driven by its *Classic Fusion* and *Big Bang* lines, but also by *Spirit of Big Bang*'s strong showing, which confirms its status as the brand's third core collection. Hublot once again demonstrated its creativity by releasing a range of extraordinary or highly technical models, including the *Techframe Ferrari 70 Years*, the timepieces in its new *Italia Independent* collection, and the *Spirit of Big Bang Sapphire*. New stores have been opened in Kyoto, Cannes and Las Vegas. Hublot's brand recognition has been further enhanced thanks to its communications, combining prestigious partnerships, a strong digital presence, and sporting and cultural events. Two new partnerships were signed with the Portuguese soccer team Benfica and the International Cricket Council.

Alongside its work on strengthening its organization, **Zenith** introduced additions to its *Chronomaster* and *Elite* collections. Illustrating its capacity for innovation, the new *Defy El Primero 21* displays hundredths of a second and the *Defy Lab* took home the prize in this category in Geneva.

Growth at **Chaumet** was fueled by the successful *Liens* and *Joséphine* collections, along with its ongoing shift further upmarket. *Liens Séduction* and *Insolence* have enhanced Chaumet's legendary collections. The release of its latest fine jewelry range, *Chaumet est une fête*, was celebrated by staging an extraordinary event in Paris. Chaumet has raised its profile in China with its successful *Imperial Splendours* exhibition in Beijing and new pop-up stores in several cities across the country.

Fred's *Force 10* line and its new *8°0* collection were its main growth drivers, while new stores were opened in Tokyo, Hong Kong, Shanghai and Seoul.

Christian Dior group has sold to **De Beers** its stake in the joint venture they held together.

1.5.3. Outlook

The Watches and Jewelry business group is actively pursuing its market share growth target. It is therefore paying close attention to market developments and remains highly selective in the allocation of resources. Thanks to the talents of their artisans and their great capacity for innovation, all of the business group's brands will continue to develop their iconic lines and launch new collections with a constant focus on excellence, product innovation and creativity. To this end, increases in production capacity are planned in order to maintain the business group's world-class craftsmanship and technological leadership. All of the brands will pursue sustained and targeted investments to strengthen their visibility and raise their profile in key regions, especially in the digital realm. Improvements in the quality, productivity and profitability of retail networks also remain a strategic priority. Selective new store openings will take place at prestigious, high-footfall locations. **Bvlgari** will continue to focus as a priority on developing women's jewelry and watches, with major initiatives in store for the *B.Zero1*, *Serpenti* and *Lvcea* lines. It will also proceed with its renovation projects for several of its stores, including those in Hong Kong, Shanghai, London and Milan. **Hublot** will step up the targeted expansion of its retail network, with store openings in Geneva and London. **TAG Heuer** plans to open stores on Fifth Avenue in New York City and on Chuo-dori, the main shopping street in Tokyo's famed Ginza district. **Chaumet** will continue rolling out its new store concept.

1.6. SELECTIVE RETAILING

1.6.1. Highlights

Selective Retailing posted 2017 revenue of 13,311 million euros, up 11% on a reported basis and up 13% on a like-for-like basis.

Profit from recurring operations for Selective Retailing was 1,075 million euros, up 17% compared to calendar year 2016. The business group's operating margin as a percentage of revenue rose by 0.4 points to 8.1%, mainly as a result of the improvement in Chinese tourist numbers to destinations where DFS has stores.

1.6.2. Main developments

Sephora once again performed very well, as it continued to win market share in all the countries where it operates. Its growth was particularly strong in North America and Asia. Currently operating in 34 countries, with over 1,800 stores and 27 online sales platforms, Sephora serves its customers on every occasion. Sephora further expanded its presence in 2017, opening its first points of sale in Germany and launching online sales in Scandinavia, Mexico and Saudi Arabia. The modernization plan for Sephora's existing stores continued, with renovations completed during the year at its flagship stores in New York City, on 34th Street and on Fifth Avenue, and at the Mirdif shopping mall in Dubai. Thanks to a gradual rollout of new store concepts that dovetail with Sephora's digital ecosystem – including *Beauty Board*, *Virtual Artist*, and *Digital Skincare Guide* – its physical locations offer an unparalleled, highly interactive shopping experience. By expanding the palette of services available at its stores, Sephora continually renews its personalized approach to customers, while at the same time building loyalty. Sephora's omnichannel strategy is a key aspect of this approach: smart mobile applications plug into social networks so that its *Beauty Insiders* can become members of a thriving beauty community. Sephora has continued to expand and refresh its selection of products, bringing the innovations it offers exclusively to the fore, as illustrated by the launch of Fenty Beauty by Rihanna, which has been a phenomenal worldwide success.

Solid gains and a number of major events were among **Le Bon Marché**'s highlights in 2017. With the completed transformation of its women's fashion department, spanning two floors, the store now offers its clientele beautiful, reinvented shopping spaces as well as unique personalization services. In-store events included an exhibition of sculptures by the Japanese artist Chiharu Shiota at the start of the year, which enjoyed exceptional media coverage. With the June launch of 24 Sèvres, its new digital platform, Le Bon Marché has invented a new online shopping experience, featuring an unequaled selection of women's fashion, innovative virtual storefronts, and expert customer service. Lastly, Le Bon Marché's food hall, La Grande Épicerie de Paris, opened a second location on the city's Right Bank in November, housed in the former premises of the Franck et Fils store. The warm and friendly atmosphere and quality of service offered by

Le Bon Marché continue to set it apart from all other department stores for its French and international clientele. Its loyalty program is still as popular as ever.

DFS turned a positive corner in 2017, thanks to more buoyant markets, especially in the second half, while also reaping the rewards of its cost control efforts over the past two years. The recovery in revenue, particularly strong in Hong Kong and Macao, was boosted by high-impact marketing campaigns, continuous improvements in store offerings, and digital initiatives designed to better serve travelers. Investments made in its *T Galleria* stores as well as its airport locations continued, as work was completed at the Sydney store and several renovation projects were launched at stores in Hong Kong and Auckland. The ramp-up of new stores in Cambodia and Venice continued, while a fourth DFS Wines & Spirits store opened its doors at Singapore's Changi Airport. DFS has entered into an agreement to operate luxury boutiques at Kansai International Airport in Japan and the concession held at San Francisco International Airport was renewed for a further 14 years. The expiry of the loss-making concession at Hong Kong International Airport at the end of the year will help to increase profit in 2018.

Starboard Cruise Services is expanding its presence along cruise routes in Asia, while improving the attractiveness of its stores and further refining its offerings for specific lines and different customer segments.

1.6.3. Outlook

In order to improve geographical coverage and serve customers with agility wherever they may be and at any time, **Sephora** will stay focused on its key strategic drivers of success: the dedication and professionalism of its teams at its physical stores and online, increasingly innovative and personalized offerings of both products and services, expanding and renovating its store network, ongoing rollout of its omnichannel strategy, and customer loyalty initiatives. **Le Bon Marché** will continue to cultivate its uniqueness, its creative and exclusive offerings, and its dual identity as both a major trendsetting retail destination and a venue for art and culture. One of the highlights of 2018 will be the transformation of its children's department. The second location of La Grande Épicerie de Paris on the city's Right Bank will attract a new clientele, with the aim of becoming as much of a magnet for food lovers as the original store on the Left Bank. While working to further improve the attractiveness of its stores and their selection of brands and products, **DFS** will move forward with its expansion strategy while strengthening its digital marketing campaigns, in order to reach out and stay close to international travelers wherever they may be. Building on its success, the *Loyal T* rewards program will be rolled out to more destinations. **Starboard Cruise Services** will continue fine-tuning its offerings by cruise route and investing in the transformation of its boutiques to win over customers and provide them with unique experiences.

1.7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS *(EUR billions)*	Dec. 31, 2017	Dec. 31, 2016	Change
Tangible and intangible fixed assets	41.6	40.1	+1.5
Other non-current assets	4.0	4.5	-0.5
Non-current assets	**45.6**	**44.6**	**+1.0**
Inventories	10.9	10.9	-
Other current assets	16.3	9.3	+7.0
Current assets	**27.2**	**20.2**	**+7.0**
ASSETS	**72.8**	**64.8**	**+8.0**

LIABILITIES AND EQUITY *(EUR billions)*	Dec. 31, 2017	Dec. 31, 2016	Change
Equity	32.7	30.1	+2.6
Long-term borrowings	7.9	5.2	+2.7
Other non-current liabilities	17.0	15.8	+1.2
Equity and non-current liabilities	**57.7**	**51.1**	**+6.6**
Short-term borrowings	4.6	3.9	+0.7
Other current liabilities	10.5	9.8	+0.7
Current liabilities	**15.1**	**13.7**	**+1.4**
LIABILITIES AND EQUITY	**72.8**	**64.8**	**+8.0**

Christian Dior's consolidated balance sheet totaled 72.8 billion euros as of year-end 2017, up 8.0 billion euros, or 12%, compared to year-end 2016. Non-current assets rose by 1.0 billion euros and represented 63% of total assets, compared with 69% as of year-end 2016.

Tangible and intangible fixed assets grew by 1.5 billion euros, of which 1.1 billion euros were due to changes in the scope of consolidation during the year, primarily the acquisition of Rimowa. The revaluation of purchase commitments for minority interests gave rise to an additional increase of 1.0 billion euros, while investments for the year, net of amortization and depreciation charges and disposals, added a further 0.6 billion euros. The comments on the cash flow statement include information on the year's investments. Conversely, exchange rate fluctuations, mainly involving the US dollar, had a negative impact of 1.1 billion euros on the value of tangible and intangible fixed assets.

Other non-current assets decreased by 0.5 billion euros, amounting to 4.0 billion euros. This decline was mainly due to the reduction in deferred tax assets, in particular as a result of the tax reform decided in the United States, which lowers the overall corporate income tax rate from 40% to 27% beginning in 2018, leading to a decrease in the value of deferred tax assets for the entities concerned.

The value of inventories as of December 31, 2017 was similar to that as of December 31, 2016 due to a 0.1 billion euro decrease arising from changes in the scope of consolidation in the year, and a 1.0 billion euro increase resulting from business growth (further details of this change can be found in the comments on the cash flow statement). In addition, exchange rate fluctuations, mainly involving the US dollar, had a negative impact of 0.6 billion euros. Net provisions for inventory impairment represented an additional negative impact of 0.3 billion euros.

Other current assets grew by 7.0 billion euros, including 2.3 billion euros relating to current available for sale financial assets, 0.5 billion euros resulting from the increase in income tax receivables, 0.2 billion euros resulting from an increase in the market value of derivatives, and 3.8 billion euros due to the increase in the cash balance.

Other non-current liabilities, totaling 17.0 billion euros, grew by 1.2 billion euros, mainly due to the 1.3 billion euro increase in the liability in respect of purchase commitments for minority interests.

Lastly, other current liabilities increased by 0.7 billion euros, amounting to 10.5 billion euros, of which 0.2 billion euros related to the increase in trade accounts payable and 0.4 billion euros to the increase in income tax payable.

Net financial debt and equity

(EUR billions and as %)	**Dec. 31, 2017**	**Dec. 31, 2016**	**Change**
Long-term borrowings [(a)]	7.9	5.2	+2.7
Short-term borrowings and derivatives [(a)]	4.5	3.8	+0.7
Gross borrowings after derivatives [(a)]	**12.4**	**9.0**	**+3.4**
Cash and cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt	(10.4)	(4.2)	-6.2
Net financial debt [(a)]	**2.0**	**4.8**	**-2.8**
Total equity (Group share and minority interests)	**32.7**	**30.1**	**+2.6**
Net financial debt/Total equity ratio	**6%**	**16%**	**-10 pts**

(a) Excluding purchase commitments for minority interests' shares, included in "Other liabilities".

The ratio of net financial debt to total equity (including minority interests) decreased 10 percentage points from 16% as of December 31, 2016 to 6% as of December 31, 2017. This decrease was due to the combined effect of the 2.8 billion euro reduction in net financial debt and the 2.6 billion euro increase in equity.

Total equity, including both Group share and minority interests, stood at 32.7 billion euros as of December 31, 2017, up 2.6 billion euros relative to December 31, 2016. This change primarily reflects the strong earnings achieved by the Group, distributed only partially, representing a net increase of 3.7 billion euros. In addition to this, the change in revaluation reserves had a positive impact of 0.5 billion euros, due to the increase in the market value of available for sale financial assets for 0.2 billion euros and to gains relating to hedges of future foreign currency cash flows for 0.2 billion euros. Conversely, exchange rate fluctuations had a negative 1.0 billion euro impact, mainly due to the depreciation of the US dollar and the Swiss franc against the euro as of December 31, 2017. Changes in purchase commitments for minority interests reduced equity by 0.4 million euros, with other negative items reducing the total by a further 0.2 billion euros. As of December 31, 2017, total equity was equal to 45% of total assets, compared to 46% as of year-end 2016.

Gross borrowings after derivatives totaled 12.4 billion euros as of year-end 2017, representing a 3.4 billion euro increase compared to year-end 2016, 3.7 billion euros of which was due to growth in debt, net of repayments. Exchange rate fluctuations, mainly involving the US dollar and the Japanese yen, had a negative impact of 0.4 billion euros on the change in gross borrowings. In May 2017, LVMH SE conducted a euro bond issue in four tranches totaling 4.5 billion euros, supplemented in June 2017 by a 400 million pound sterling bond issue. The 850 million US dollar bond issued in 2012, the 150 million euro bond issued in 2009, and the 350 million pound sterling bond issued in 2014 were repaid during the fiscal year. Outstanding debt under LVMH's short-term negotiable debt security programs (commercial paper) increased 0.7 billion euros.

Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt totaled 10.4 billion euros at the end of the fiscal year, up 6.2 billion euros compared to year-end 2016 as a result of transactions to simplify the structure of the Christian Dior – LVMH group, notably reflected in Christian Dior's sale of the Christian Dior Couture segment to LVMH (see Note 2 to the consolidated financial statements).

As of year-end 2017, undrawn confirmed credit lines amounted to 5.1 billion euros, substantially exceeding outstanding debt under the Group's short-term negotiable debt securities programs, which came to 1.9 billion euros as of December 31, 2017.

1.8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, presented in the consolidated financial statements, details the main financial flows in the fiscal year ended December 31, 2017.

(EUR millions)	**Fiscal year 2017** 12 months	**Calendar year 2016** 12 calendar months, pro forma [(a)]	**Change**
Cash from operations before changes in working capital	**10,582**	**9,125**	**1,457**
Cost of net financial debt: interest paid	(88)	(97)	9
Tax paid on operating activities	(2,872)	(2,002)	(870)
Net cash from operating activities before changes in working capital	**7,622**	**7,026**	**596**
Change in working capital	(516)	(585)	69
Operating investments	(2,517)	(2,438)	(79)
Free cash flow	**4,589**	**4,003**	**586**
Non-current available for sale financial assets	(543)	(80)	(463)
Transactions related to equity	(1,663)	(2,493)	830
Change in cash before financing activities	**2,383**	**1,430**	**953**

(a) Limited review procedures with no report issued.

Cash from operations before changes in working capital totaled 10,582 million euros in fiscal year 2017, up 16% from 9,125 million euros in calendar year 2016 (12 months pro forma). Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 7,622 million euros, up 8% from calendar year 2016.

Interest paid totaled 88 million euros, lower than in 2016.

Tax paid on operating activities totaled 2,872 million euros, up 43% from 2,002 million euros the previous year, in line with growth in the Group's earnings and the exceptional surtax affecting French companies.

The 516 million euro increase in the working capital requirement was lower than the 585 million euro increase observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,037 million euros, versus 890 million euros a year earlier; financing for this higher requirement related to the increase in activity was provided by the increase in trade account payables and tax and social charge liabilities, which was higher in 2017 than in 2016 (654 million euros in 2017 versus 424 million euros in 2016). The increase in inventories mainly related to Wines and Spirits and Fashion and Leather Goods.

Operating investments net of disposals resulted in an outflow of 2,517 million euros in 2017, compared to 2,438 million euros a year earlier. These mainly included investments by the Group's brands, notably Sephora, Louis Vuitton, Christian Dior Courture, Bvlgari, Parfums Christian Dior, Fendi and DFS, in their distribution networks. They also included investments related to the La Samaritaine project, as well as investments by Hennessy, the champagne houses, and LVMH Métiers d'Art in their production equipment. Non-current available for sale financial assets and transactions in consolidated investments generated a net outflow of 543 million euros in 2017 (acquisitions net of disposals), including 615 million euros relating to the acquisition of Rimowa.

Transactions relating to equity generated an outflow of 1,663 million euros. This includes 539 million euros in cash dividends paid by Christian Dior, excluding the impact of treasury shares; 1,505 million euros in dividends paid to minority interests of the consolidated subsidiaries (essentially the shareholders of LVMH SE, excluding Christian Dior's controlling interest, i.e. 59% of LVMH SE and Diageo as a result of its 34% stake in Moët Hennessy); and acquisitions of minority interests, which generated an additional outflow of 171 million euros (see Note 2 to the consolidated financial statements). Conversely, taxes on transactions relating to equity generated an inflow of 488 million euros, mainly as a result of the reimbursement by the French state of the dividend tax, in place since 2012, after it was declared invalid by the French Constitutional Court. Christian Dior share purchase options exercised during the fiscal year and capital increases subscribed by minority shareholders of Group subsidiaries generated a further inflow of 64 million euros.

All operating, investment, and equity-related activities thus generated an inflow of 2,383 million euros in the fiscal year.

Cash flows from financing activities totaled 1,660 million euros, mainly as a result of bond issues undertaken by LVMH SE.

Since the change in the cumulative translation adjustment relating to cash flows resulted in a negative impact of 132 million euros, the cash position at the end of the fiscal year stood at 7,466 million euros, up 3,911 million euros relative to the position as of December 31, 2016.

2. Financial policy

During the fiscal year, the Group's financial policy focused on the following areas:

- improving the Group's financial structure and flexibility, as evidenced by the following key indicators:
  - significant increase in equity: equity (including minority interests), before appropriation of profit, was up 9% to 32.7 billion euros as of year-end 2017, compared to 30.1 billion euros a year earlier; This increase reflects the Group's strong earnings,
  - a decrease in net debt: net financial debt (excluding purchase commitments for minority interests' shares) came to 2.0 billion euros as of year-end 2017, compared with 4.8 billion euros as of year-end 2016,
  - the Group's access to liquidity, notably through its short-term debt securities (commercial paper) issuance programs, which benefit from favorable rates and spreads; the Group also has the option of calling on bond markets on a regular basis over medium/long-term maturities, with issue spreads that remained low in 2017,
  - an increase in the already substantial level of cash and cash equivalents with a diversified range of top-tier banking partners and short-term money market funds. This increase was particularly significant at Christian Dior SE, after recognizing the gain on the disposal of the Christian Dior Couture segment,
  - the Group's financial flexibility, facilitated by a significant reserve of undrawn confirmed credit lines totaling 5.1 billion euros, including a 2 billion euro syndicated loan to LVMH SE with a remaining residual term of four years, and a 0.6 billion euro syndicated loan to Christian Dior SE;
- maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's operations and to hedge its debt;
- greater concentration of Group liquidity owing to the ongoing rollout of cash pooling practices worldwide, ensuring the fluidity of cash flows throughout the Group and optimal management of surplus cash. As a rule, the Group applies a diversified investment policy;
- pursuing a dynamic policy of dividend payouts to shareholders, to enable them to benefit from the very strong performance over the fiscal year:
  - an interim dividend for 2017 of 1.60 euros was paid in December 2017,
  - a dividend payment of 5.00 euros per share is proposed for the fiscal year (i.e. a final dividend of 3.40 euros available for distribution in April 2018). Total payouts to shareholders of Christian Dior SE in respect of 2017 would thus amount to 0.9 billion euros, before the impact of treasury shares,
  - interim and final dividends paid to minority interests in consolidated subsidiaries in the fiscal year amounted to 2.0 billion euros;
- with regard to foreign exchange risks, the Group continued to hedge the risks of its exporting companies by buying options or collars, which protect against the negative impact of currency depreciation while retaining some of the gains in the event of currency appreciation. The US dollar and Japanese yen weakened throughout the 2017 fiscal year. The hedging strategies resulted in exchange rates for the US dollar and the Japanese yen better than the respective average exchange rates over the year, and for the pound sterling the hedged exchange rate was in line with the average for the year.

3. Operating investments

3.1. COMMUNICATION AND PROMOTION EXPENSES

The Group's total investments in communication, in absolute values and as a percentage of revenue, were as follows:

(EUR millions)	Fiscal year 2017 12 months	2016 12 calendar months, pro forma [a]
Communication and promotion expenses	4,979	4,482
As % of revenue	*11.4*	*11.3*

(a) Limited review procedures with no report issued.

These expenses mainly correspond to advertising campaign costs, especially for the launch of new products, public relations and promotional events, and expenses incurred by marketing teams responsible for all of these activities.

3.2. RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development investments were as follows:

(EUR millions)	Fiscal year 2017 12 months	2016 12 calendar months, pro forma [a]
Research and development costs	130	113

(a) Limited review procedures with no report issued.

Most of these amounts cover scientific research and development costs for skincare and makeup products of the Perfumes and Cosmetics business group.

3.3. INVESTMENTS IN PRODUCTION FACILITIES AND RETAIL NETWORKS

Apart from investments in communication, promotion and research and development, operating investments are geared towards improving and developing retail networks as well as guaranteeing adequate production capabilities.

Purchases of property, plant and equipment and intangible assets were as follows, in absolute values and as a percentage of the Group's cash from operations before changes in working capital:

(EUR millions)	Fiscal year 2017 12 months	2016 12 calendar months, pro forma [a]
Purchase of tangible and intangible fixed assets [b]	2,538	2,427
As % of cash from operations before changes in working capital	*24*	*27*

(a) Limited review procedures with no report issued.
(b) See Note 14.4 to the consolidated financial statements.

Following the model of the Group's Selective Retailing companies which directly operate their own stores, Louis Vuitton distributes its products exclusively through its own stores. The products of the Group's other brands are marketed by agents, wholesalers, or distributors in the case of wholesale business, and by a network of directly owned stores or franchises for retail sales.

In 2017, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total retail network increasing in 2017 from 4,148 to 4,374 stores.

In particular, Sephora continued to expand its worldwide retail network, which reached 1,825 stores as of December 31, 2017, compared to 1,726 the previous year.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2017 were related to ongoing investments in Champagne (initiated in 2012) as well as the start of construction on a new packaging and shipping site at Hennessy.

4. Main locations and properties

4.1. PRODUCTION

4.1.1. Wines and Spirits

The surface areas of vineyards in France and abroad that are owned by the Group are as follows:

	Dec. 31, 2017		Dec. 31, 2016	
(in hectares)	Total	Of which under production	Total	Of which under production
France				
Champagne appellation	1,845	1,718	1,837	1,641
Cognac appellation	187	160	187	163
Vineyards in Bordeaux	194	152	193	149
Vineyards in Burgundy	13	13	11	11
International				
California (United States)	441	327	433	261
Argentina	1,677	967	1,683	1,018
Australia, New Zealand	681	603	690	578
Brazil	204	119	232	78
Spain	116	80	112	83
China	68	60	68	40
India	4	2	4	-

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not usable for winegrowing. The difference between the total number of hectares owned and the number of hectares under production represents areas that are planted, but not yet productive, and areas left fallow.

The Group also owns industrial and office buildings, wineries, cellars, warehouses, and visitor and customer centers for each of its main champagne brands or production operations in France, the United Kingdom, the United States, Argentina, Australia, China, New Zealand, Brazil, India and Spain, as well as distilleries and warehouses in Cognac and Poland. These buildings represent a total surface area of around 820,000 square meters in France and 300,000 square meters abroad.

4.1.2. Fashion and Leather Goods

Louis Vuitton owns eighteen leather goods and shoe production facilities, in addition to its perfume production facility; most of them are in France, but there are also major workshops located near Barcelona in Spain; in Fiesso, Italy; and in San Dimas, California. Overall, the production facilities and warehouses it owns represent approximately 193,000 square meters.

Fendi owns its manufacturing facility near Florence, Italy, as well as the Palazzo Fendi building in Rome, which houses its historic boutique and a hotel.

Céline also owns manufacturing and logistics facilities near Florence, Italy.

Berluti's shoe production factory in Ferrara, Italy, is owned by the Group.

Rossimoda owns its office premises and its production facility in Vigonza, Italy.

Loro Piana has several manufacturing workshops in Italy as well as a site in Ulaanbaatar, Mongolia.

Rimowa owns its offices in Germany and has several production facilities in Germany, the Czech Republic and the United Kingdom. Overall, this property represents approximately 70,000 square meters.

Christian Dior Couture owns four manufacturing workshops (three in Italy and one in Canada) and a warehouse in France. Overall, this property represents approximately 30,000 square meters.

The other facilities utilized by this business group are leased.

4.1.3. Perfumes and Cosmetics

Buildings located near Orleans in France housing the Group's Perfumes and Cosmetics research and development operations, as well as the manufacturing and distribution of Parfums Christian Dior, are owned by Parfums Christian Dior and occupy a surface area of 140,000 square meters.

Guerlain has a 20,000 square meter production site in Chartres. The brand also owns another production site in Orphin, France, measuring 10,500 square meters.

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, which handles the production of Givenchy and Kenzo product lines, corresponding to a total surface area of 19,000 square meters. The company also owns distribution facilities in Hersham, in the United Kingdom.

Make Up For Ever owns a 2,300 square meter warehouse in Gennevilliers, France.

4.1.4. Watches and Jewelry

TAG Heuer has two workshops in Switzerland: one in Cornol and the other in Chevenez, together totaling about 4,700 square meters.

Zenith owns the facility where its movements and watches are manufactured in Le Locle, Switzerland. All of its European warehouses are leased.

Hublot owns its production facilities and its office premises.

Bvlgari owns its production facilities in Italy and Switzerland.

The facilities operated by this business group's remaining brands (Chaumet and Fred) are leased.

4.2. DISTRIBUTION

Retail distribution of the Group's products is most often carried out through exclusive stores. Most of the stores in the Group's retail network are leased and only in exceptional cases does the Group own the buildings that house its stores.

Louis Vuitton owns certain buildings that house its stores in Tokyo, Hawaii, Guam, Seoul, Cannes, Saint-Tropez and Genoa, for a total surface area of approximately 8,000 square meters.

Christian Dior Couture owns certain buildings that house its stores in France (Paris, Saint-Tropez and Cannes), South Korea, Japan, the United Kingdom and Spain, for a total surface area of approximately 5,400 square meters.

Céline, Fendi and Berluti also own some of their stores in Paris and Italy.

In Selective Retailing:

- Le Bon Marché group owns some of its stores, for a total area of approximately 80,000 square meters;
- DFS owns its stores in Guam, Saipan and Hawaii.

As of December 31, 2017, the store network broke down as follows:

(number of stores)	Dec. 31, 2017	Dec. 31, 2016
France	508	507
Europe (excluding France)	1,156	1,106
United States	754	730
Japan	412	403
Asia (excluding Japan)	1,151	1,055
Other	393	347
TOTAL	**4,374**	**4,148**

(number of stores)	Dec. 31, 2017	Dec. 31, 2016
Fashion and Leather Goods [(a)]	1,769	1,708
Perfumes and Cosmetics	302	248
Watches and Jewelry	405	397
Selective Retailing: - *Sephora*	1,825	1,726
- Other, including DFS	55	52
Subtotal: Selective Retailing	**1,880**	**1,778**
Other		17
TOTAL	**4,374**	**4,148**

(a) Including Christian Dior Couture stores.

4.3. ADMINISTRATIVE SITES AND INVESTMENT PROPERTY

The Group owns buildings located at 11-17 rue Francois 1er and 28-30 avenue Montaigne in Paris.

Most of the Group's administrative buildings are leased, with the exception of the headquarters of certain brands, particularly those of Louis Vuitton, Parfums Christian Dior and Zenith.

The Group holds a 40% stake in the company that owns the building housing the LVMH headquarters on Avenue Montaigne in Paris. It also owns three buildings in New York with about 15,000 square meters of office space and two buildings in London with about 3,000 square meters of office space. These buildings are occupied by Group entities.

The Group also owns investment properties with office space in Paris, New York, Osaka and London, which total 22,000, 6,000, 3,000 and 2,000 square meters, respectively. These buildings are leased to third parties.

The group of properties previously used for the business operations of La Samaritaine's department store are the focus of a redevelopment project, which will transform it into a complex comprising mainly offices, shops and a luxury hotel.

5. Stock option and bonus share plans

Detailed information on the stock option and bonus share plans is provided on pages 76 et seq. of the Management report of the Board of Directors – Christian Dior parent company.

6. Subsequent events

No other significant subsequent events occurred between December 31, 2017 and February 2, 2018, the date at which the financial statements were approved for publication by the Board of Directors.

7. Recent developments and prospects

In an environment that remains buoyant at the beginning of the year and despite unfavorable currencies and geopolitical uncertainties, the Christian Dior Group is well equipped to continue its growth momentum across all business groups in 2018. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and investments as well as a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance of its different businesses and its geographic diversity, the Christian Dior group enters 2018 with cautious confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.

Management report of the Board of Directors

MANAGEMENT OF NON-FINANCIAL AND FINANCIAL RISKS

Christian Dior's financial and non-financial risk management procedures take into consideration the Group's specific structure. Christian Dior is a holding company that directly and indirectly controls one main asset: a 41% equity stake in LVMH. The business of Christian Dior is therefore essentially dedicated to protecting the legal title of this equity holding and exercising the rights and authority of a majority shareholder, notably by attending the subsidiary's Board meetings and Shareholders' Meetings, monitoring the dividends paid by the subsidiary, controlling its financial performance and, lastly, providing accurate financial reporting, in line with applicable laws, given its status as a listed company.

All the Group's operational activities take place at the LVMH level; as a result, the following report mainly presents the procedures implemented and monitored at that level.

1. Group ethics and Codes of Conduct

The Group's success requires everyone to adhere to rules, user practices and principles that guide our day-to-day conduct all over the world in terms of ethics, protecting human rights and fundamental liberties, social responsibility and respecting the environment. LVMH's and Christian Dior's Codes of Conduct form a common foundation in terms of ethics and formally set out a series of fundamental principles that guide the Group in conducting its business and guide employees in exercising their responsibilities.

At LVMH, which comprises all Group companies and operating companies, Executive Management coordinates the efforts of the Risk Management, Operations, Purchasing, Environment, Social Development and Financial Communications Departments, which work together to raise awareness and help the Group's companies to achieve progress in the areas of risk management and relations with suppliers in particular.

1.1. COMPLIANCE WITH INTERNATIONAL CONVENTIONS

Since 2003, LVMH has demonstrated its support for universal values by being a signatory to the United Nations Global Compact. LVMH is committed to aligning its operations and its strategy with ten principles related to human rights, working standards, respect for the environment and the fight against corruption. LVMH also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization's Fundamental Conventions, the United Nations' Millennium Development Goals and Sustainable Development Goals, Women's Empowerment Principles, and the French Diversity Charter.

Taking each individual and his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies adhere.

Concerning employees, all Group companies have policies for equal opportunity and treatment irrespective of discriminatory factors such as gender, race, religion or political opinion, as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child labor and forced labor.

As regards the environment, the Group strictly adheres to applicable laws, regulations and standards in all countries. The Group aims to always go beyond these legal and regulatory requirements in order to respond to the concerns of society, and through its companies, employees and partners it plays an active role in defining and implementing ever more responsible practices in its business sectors, in particular by adopting a precautionary approach. These commitments have been set out formally in the Environmental Charter adopted in 2001 and applicable to all Group companies.

Since it was created, the Group has endeavored to:

- ensure that its practices reflect the highest standards of integrity, responsibility and respect for its partners;
- offer a working environment that allows its employees to fully express their talents and implement their expertise and know-how;
- ensure that its companies define and adapt their production processes, habits and behaviors in order to provide a better response to the environmental challenges they face;
- participate in the regional development of the areas in which it operates through its activities;
- mobilize resources and skills to serve general-interest and philanthropic initiatives and promote access to art and culture for as many people as possible.

1.2. CODES OF CONDUCT AND PRINCIPLES

1.2.1. The Christian Dior Code of Conduct

A Code of Conduct was adopted in May 2009 and revised in February 2018 in order to reassert, specify and refine the principles of conduct intended to guide the actions of all employees.

The revised Code sets out all of the principles to be implemented by Christian Dior in conducting its activities. It outlines the rules to be followed by all employees in their roles and responsibilities, with a special emphasis on the high level of integrity demanded of everyone. In particular, Christian Dior has reiterated its zero-tolerance policy towards corruption.

It is based on the following six core principles:

- acting responsibly and in solidarity;
- offering a fulfilling working environment and making the most of talented people;
- committing to protecting the environment;
- earning customers' trust;
- earning shareholders' trust;
- instilling and promoting integrity in business conduct.

The Christian Dior Code of Conduct does not supplant the existing Code of Conduct and charters in place at LVMH and its subsidiaries. Together, they provide a shared ethical foundation and source of inspiration.

1.2.2. The LVMH Code of Conduct

The LVMH Code of Conduct, which was adopted in 2009 and disseminated to all its employees, was revised in 2017 in order to reassert, specify and refine the principles of conduct intended to guide the actions of all employees.

The revised Code sets out all of the principles to be implemented by LVMH in conducting its activities. It brings together the rules to be followed by all employees as they carry out their roles and responsibilities, with a special emphasis on integrity, a key requirement for everyone. In particular, LVMH has reiterated its zero-tolerance policy towards corruption. Lastly, the Code ensures consistency and ongoing improvement in the practices of all Group companies.

It is based on the following six core principles:

- acting responsibly and in solidarity;
- offering a fulfilling working environment and making the most of talented people;
- committing to protecting the environment;
- earning customers' trust;
- earning shareholders' trust;
- instilling and promoting integrity in business conduct.

The Code of Conduct does not replace existing codes and charters at Group companies; it serves as a shared foundation and source of inspiration.

Where appropriate, the policies of the Code may be defined in greater detail by each Group company according to its business sector or location. Furthermore, locally applicable codes or charters can be implemented where this is appropriate in light of local legislation and regulations.

At the LVMH group level, the Environmental Charter and the Supplier Code of Conduct, as well as the various guidelines and internal charters, are modified versions of the LVMH Code of Conduct applied to specific areas.

The Code of Conduct is available on the LVMH website and can also be downloaded in ten languages from the Group's new Ethics and Compliance Intranet, which provides all available documents and tools for Group employees relating to ethics and compliance in one space. The Code of Conduct is communicated to all new employees. The Code and its principles must be respected by each employee. To encourage all Group employees to embrace the Code, an online training tool has been made available to them since late 2017.

In addition to the Code of Conduct, a series of internal documents – known as the guiding principles – have been put together that aim to guide employees of the Group and Group companies in implementing the Code on a day-to-day basis. These documents, which can also be accessed by employees on the Ethics and Compliance Intranet, constitute reference guides for certain topics relating to business ethics.

1.2.3. The LVMH Supplier Code of Conduct

Suppliers are a key component of the LVMH group's value chain. As such, LVMH places a priority on maintaining responsible relations with its partners, suppliers and subcontractors, and works to continually strengthen those relationships. LVMH undertakes to maintain balanced commercial relations with its partners and pays particular attention to respecting negotiated terms and payment times.

In 2008, LVMH implemented a Supplier Code of Conduct which sets out its requirements in the fields of social responsibility, the environment and the fight against corruption. The Supplier Code of Conduct has been disseminated to Group companies, and all relations with partners require that the partner in question undertake to comply with all ethical principles laid down in the Code.

In 2017, the Supplier Code of Conduct was revised in order to provide more detail about the principles of conduct expected of suppliers, particularly in terms of professional integrity.

The revised Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business.

The Supplier Code of Conduct specifies that suppliers of LVMH and Group companies are guarantors of the work carried out by their own subcontractors and suppliers and guarantee that the latter comply with the principles set out in the Code as well as relevant obligations.

It also gives LVMH an audit right that allows it, as far as possible, to ensure that these principles are effectively observed.

If the Supplier Code of Conduct is violated by one of its suppliers, or by a supplier or any subcontractor of a supplier, LVMH or the Group company concerned reserve the right to review and, possibly, end the commercial relationship subject to the conditions provided by law.

1.2.4. Other LVMH charters and strategic policies

The social and environmental strategy constitutes an essential contribution to the management of the Group's ethical commitments.

Environmental Charter

Signed in 2001 by Bernard Arnault, the **Environmental Charter** is the founding document for LVMH's five main aims with regard to the environment: striving for high environmental performance standards; encouraging collective commitment; controlling environmental risks; designing products that factor in innovation and environmental creativity; making a commitment that goes beyond the company. It also encourages the president of each Group company to be involved in this approach by means of concrete actions.

The Environmental Charter has been significantly boosted by the **LIFE strategic program** (LVMH Initiatives For the Environment), which was launched in 2011 in order to reinforce the incorporation of environmental concerns into management processes, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Group companies. Since 2014, Group companies have incorporated the LIFE program into their strategic plans, which include environmental and social targets in relation to suppliers. The LIFE program was implemented by the Steering Committee of each Group company and is based on nine key aspects of environmental performance and risk management, including issues relating to the supply of strategic raw materials, raw material traceability and compliance, and suppliers' social and environmental responsibility.

To further improve consistency and efficiency, in 2016 the Group gave its companies – regardless of business sector – four shared targets to be achieved by 2020 (the baseline year being 2013), relating to (1) sustainable product design, (2) suppliers and raw materials, (3) CO_2 emissions reduction and (4) making all production sites and stores more environmentally friendly. Regarding the supply target in particular, Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70% of the supply chain by 2020 and 100% by 2025. This target, which relates to the production of raw materials, farming, breeding and extraction, also concerns the production plants of Group suppliers. LVMH's environmental performance is closely linked to its ability to involve suppliers and subcontractors in its approach and make them part of its sustainable procurement policy.

Social responsibility

Based on an analysis of the challenges facing the Group and interactions with its stakeholders, LVMH has identified **four social priorities** for all its companies: (1) developing talent and skills, (2) paying constant attention to working conditions, (3) preventing all forms of discrimination, and (4) engaging with communities to help local populations.

The Group's social responsibility efforts, which are based on these four priorities throughout the world, therefore include an important aspect relating to employee health, safety and well-being. The LVMH group's CSR approach is also aimed at preventing any risk of discrimination, and ensuring the respect each person's individuality.

The **Recruitment Code of Conduct** was adopted in 2009 and has been widely disseminated to all employees involved in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at LVMH in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. As regards hiring new employees, LVMH uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities. With regard to the links between continued employment and preventing discrimination, various policies and best practices have been applied by Group companies.

Internal Competition Law Compliance Charter

While the Code of Conduct includes targets in terms of respecting the principles of competition, observing trade restrictions and international sanctions programs, as well as faithful intervention in the public sphere, LVMH's commitment to respecting the principles of competition has been set out formally by the adoption of the Internal Competition Law Compliance Charter, the aim of which is to contribute within the Group to the development of a true culture of compliance with competition rules. LVMH is concerned about preserving free and fair competition respecting laws and practices in force, without any interference with competition rules.

This charter sets out the main rules that should be known by all employees in conducting commercial relationships on a day-to-day basis, and provides a pragmatic explanation of the standards of conduct expected of them. For example, LVMH prohibits any abuse of dominant position, concerted practice or unlawful agreement, notably through understandings, projects, arrangements or behaviors which have been coordinated between competitors concerning prices, territories, market shares or customers.

Internal IT Systems Security Charter

The use of IT resources is subject to compliance with the rules and principles set out in the LVMH Internal IT Systems Security Charter. Personal use of communication tools such as e-mail and the Internet can be tolerated provided that such use is occasional, does not interfere with the employee's work, does not result in additional costs for the company, complies with current law and does not damage LVMH's reputation.

More generally, it is the responsibility of each employee to defend LVMH's heritage and resources in order to avoid any loss, misuse, deterioration or waste thereof. These resources include the Group's equipment, goods, financial resources and any other assets. The Group has introduced internal guiding principles dedicated to protecting resources that must also be observed by employees.

1.2.5. Definitions and objectives of risk management and internal control

Framework

Risk management and internal control draw upon the Reference Framework issued by the AMF on July 22, 2010 relating to processes for monitoring the effectiveness of risk management and internal control systems.

With more specific regard to internal control, the Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission).

Definition and objectives of risk management

According to the definition set out in the AMF's reference framework, risk represents the possibility of an event occurring that could affect the Company's personnel, assets, environment, objectives or reputation. The LVMH group has defined "major" risks as risks with the potential to jeopardize the continuity of operations and/or the achievement of strategic objectives, and/or the Group's reputation.

The objectives of risk management are to:

- protect the value, assets and reputation of the Group and, in particular, its brands;
- enhance the security of decision-making and operational processes, by providing a comprehensive, objective and shared view of the Group's potential threats and opportunities;
- ensure that all employees embrace a shared view of the principal risks and challenges surrounding the Group's business.

Definition and objectives of internal control

Internal control refers to a set of control procedures and actions tailored to the specific characteristics of each of the LVMH group's businesses; this contributes to the development and lasting success of the Group's brands, supporting each department with a view to:

- respecting the Group's values and ethics;
- preventing and managing operating, financial and legal risk across all business lines;
- protecting the Group's assets and reputation;
- ensuring and developing the effectiveness and resilience of its procedures and organizational structures.

Limitations

No matter how well-designed and applied, the risk management and internal control system can only provide reasonable (not absolute) assurance that the Group's overall risks and objectives are properly managed. Internal control is subject to inherent limitations as a result of uncertainties in the international environment, the judgment required to choose between costs and opportunities, and potential problems caused by human error or failure.

The structure of the Group, consisting of a large number of subsidiaries of varying sizes, is a particular risk factor.

2. Risk identification

The Christian Dior group's activities are exposed to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. Operational risks are managed at the level of LVMH and its subsidiaries. In this regard, the implementation at LVMH of the French Law of March 27, 2017 concerning the duty of reasonable vigilance by parent and ordering companies has resulted in improved identification of risks and helps to prevent serious abuses of human rights and fundamental liberties, health and safety of persons, and the environment.

2.1. STRATEGIC AND OPERATIONAL RISKS

2.1.1. Group's image and reputation

Around the world, the Group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, and the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives; inappropriate behavior by brand ambassadors, the Group's employees, distributors or suppliers; or detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands, trade names and goodwill recorded in the Christian Dior group's balance sheet as of December 31, 2017 amounted to 27.1 billion euros.

The Group maintains an extremely high level of vigilance with respect to any inappropriate use by third parties of its brand names, in both the physical and digital worlds. In particular, this vigilance involves the systematic registration of all brand and main product names, whether in France or in other countries; communications to limit the risk of confusion between the Group's brands and others with similar names; and constant monitoring, which may prompt legal action by the Group, if required. Initiatives pursued by the Group aim to promote a legal framework suited to the digital world, prescribing the responsibilities of all those involved and instilling a duty of vigilance in relation to unlawful acts online to be shared by all actors at every link in the digital value chain.

In its Wines and Spirits and Perfumes and Cosmetics business groups, and to a lesser extent in Watches and Jewelry and Fashion and Leather Goods, the Group sells a portion of its products to distributors outside the Group, which are thus responsible for sales to end customers. The reputation of the Group's products thus rests in part on compliance by all distributors with the Group's requirements in terms of their approach to the handling and presentation of products, marketing and communications policies, and respecting brand image. In order to discourage inappropriate practices, distribution agreements include strict guidelines on these matters, which are also monitored on a regular basis by Group companies.

Furthermore, the Group supports and develops the reputations of its brands by working with seasoned and innovative professionals in various fields (creative directors, oenologists, cosmetics research specialists, etc.), with the involvement of the most senior executives in strategic decision-making processes (collections, distribution and communication). In this regard, the Group's key priority is to respect and bring to the fore each brand's unique personality. All Group employees are conscious of the importance of acting in accordance with the ethical guidelines communicated within the Group at all times. Finally, to protect itself from the risk of a public campaign against the Group or one of its brands, the Group continuously monitors developments in the media and maintains a permanent crisis management unit.

2.1.2. Counterfeit and parallel retail networks

The Group's brands, expertise and production methods can be counterfeited or copied. Its products – leather goods, perfumes and cosmetics in particular – may be distributed in parallel retail networks, including web-based sales networks, without the Group's consent. As part of a joint effort aimed at developing new solutions to get consumers more engaged in their digital experience, while also preserving brand value and promoting creativity, the Group and several major Internet companies (pure plays) have announced that they are working together to protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products.

Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit. Activities in these illegitimate channels may gradually damage the brand image of the products concerned and lower consumer confidence. The Group therefore does all it can to protect its assets and resources, particularly its intellectual property rights. Group companies pursue an anti-counterfeiting strategy based on prevention, cooperation and communication.

Action plans have been specifically drawn up to address the counterfeiting of products, in addition to the systematic protection of brand and main product names discussed above. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom the Group also ensures are made aware of the adverse consequences of counterfeiting. The Group also plays a key role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message, all of which are essential in successfully combating the problem. In addition, the Group takes various measures to fight the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels.

Beyond the borders of the European Union, the Group is not subject to any legal constraints that might impede the full exercise of its selective retail distribution policy, or limit its ability to bring proceedings against any third parties distributing Group products without proper approval. In the European Union, competition law guarantees strictly equal treatment of all economic operators, particularly in terms of distribution, potentially posing an obstacle to companies refusing to distribute their products outside a network of authorized distributors. However, Commission Regulation (EC) No. 2790/1999 (known as the 1999 Block Exemption Regulation), by authorizing selective retail distribution systems, established an exemption to this fundamental principle, under which the Group operates, thus providing greater protection for Group customers. This exemption was confirmed in April 2010, when the Commission renewed the 1999 Block Exemption Regulation and extended its application to retail sales over the Internet. This legal protection gives the Group more resources in the fight against counterfeit goods and the parallel distribution of its products, a battle waged as much in the digital as in the physical world.

In 2017, anti-counterfeiting measures generated internal and external costs for the Group of around 42 million euros.

2.1.3. Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of December 31, 2017, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 13.3 billion euros. Detailed descriptions of these commitments may be found in Notes 30.1 and 30.2 to the consolidated financial statements.

Any potential agreement that would result in a commitment by the Group over a multi-year period is subjected to an approval process at the Group company involved, adjusted depending on the related financial and operational risk factors. Agreements are also reviewed by the Group's in-house legal counsel, together with its insurance brokers.

In addition, the Group has made commitments to its partners in some of its business activities to acquire their stakes in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2017, this commitment is valued at 9.2 billion euros and is recognized in the Group's balance sheet under "Other non-current liabilities" (see Note 20 to the consolidated financial statements).

The Group has also made commitments to some of the shareholders of its subsidiaries to distribute a minimum amount of dividends, provided the subsidiaries in question have access to sufficient cash resources. This relates in particular to the businesses of Moët Hennessy and DFS, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit of these entities.

2.1.4. Anticipating expectations of Group customers

Understanding the needs of customers is vital in order to be able to offer suitable products and a personalized customer experience. Therefore, the Group is committed to supplying its customers with sincere and clear information about the manufacturing method, effects and correct use of its products, and to not making any misleading statements concerning its products and their methods of production. The Group is aware of the impact on society of its products and their image, and is committed to being as vigilant as possible in its commercial and advertising communications, promoting responsible behavior.

Brands must also identify new trends, changes in consumer behavior, and in consumers' tastes, in order to offer products and experiences that meet their expectations. Failing this, the continued success of their products would be threatened. By cultivating strong ties and continually replenishing their traditional sources of inspiration – ranging from art to sports, cinema and new technologies – the Group's various brands aim at all times to better anticipate and fully respond to their customers' changing needs, in line with each brand's specific identity and its particular affinities in its sphere of activity.

2.1.5. International exposure of the Group

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include changes in customer purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one geographic region to another, and provisions of corporate or tax law, customs regulations or import restrictions imposed by some countries that may, under certain circumstances, penalize the Group. Some of the Group's activities were thus penalized in 2014 and 2015 by the "anti-extravagance" measures instated by China in late 2012. This was notably the case of the Cognac business, which, affected by the decline in receptions and banquets, suffered a drop in sales volumes in 2014 and 2015 related to the substantial volumes of inventories held by its distributors at the end of 2013. The fall in volumes of corporate gift-giving also had an adverse impact on the Watches and Jewelry business in 2014.

In order to protect itself from the risks associated with an inadvertent failure to comply with a change in regulations, the Group has established a regulatory monitoring system in each of the regions where it operates.

The Group maintains very few operations in politically unstable regions. The legal and regulatory frameworks governing the countries where the Group operates are well established. It is important to note that the Group's activity is spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area.

Furthermore, a significant portion of Group sales is directly linked to fluctuations in the number of tourists. This is especially the case for the travel retail activities within Selective Retailing, but tourists also make up a large percentage of customers frequenting the boutiques operated by companies in the Fashion and Leather Goods business group. Events likely to reduce the number of tourists (geopolitical instability and insecurity, weakening of the economic environment, natural disasters, etc.) could have an adverse impact on Group sales.

Lastly, the Group is an active participant in current global discussions in support of a new generation of free-trade agreements between the European Union and non-EU countries, which involves not only access to external markets, but also the signing of agreements facilitating access by tourists from non-EU countries to the European Union. Thus, despite a tense security situation leading member states to request enhanced border checks, the European Commission has proposed the creation of a "touring visa" (with an extended stay period and permission to travel around the entire Schengen area) that will facilitate luxury tourism shopping in the European Union.

2.1.6. Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. A significant proportion of the Group's sales – approximately 30% of the annual total for all of the Group's businesses – is generated during the peak holiday season in the fourth quarter of the year. Unexpected events in the final months of the year may have a significant impact on the Group's business volume and earnings.

2.1.7. Strategic competencies

The Group's professions require highly specific skills and expertise, in the areas of leather goods or watchmaking, for example. To avoid any dissipation of this expertise, the Group implements a range of measures to encourage training and to safeguard these professions, which are essential to the quality of its products, notably by promoting the recognition of the luxury trades as professions of excellence, with criteria specific to the luxury sector and geared to meet its demands and requirements.

Skills management is a significant aspect of risk management and internal control. The Group devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through continuing training, and promoting internal mobility. These elements are described in the "Human resources" section of the Management report of the Board of Directors (§6 "Employee professional development").

Lastly, the Group's success also rests on the development of its retail network and on its ability to obtain the best locations without undermining the future profitability of its points of sale. The Group has built up specific real estate expertise that it shares with companies across the Group, which contributes to the optimal development of its retail network.

2.1.8. Information systems

The Group is exposed to the risk of information systems failure resulting from a malfunction or malicious intent. The occurrence of this type of risk event may result in the loss or corruption of sensitive data, including information relating to products, customers or financial data. Such an event may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes concerned. To guard against this risk, the Group puts in place a decentralized architecture to avoid risk propagation. Supported by its network of IT security managers, the Group continues to implement a full set of measures to protect its sensitive data as well as business continuity plans at each Group company.

The Group has established a global approach to ensure compliance with the General Data Protection Regulation (GDPR) in Europe and with similar laws in other countries; each Group company is responsible for adapting this approach to its specific situation.

Sensitive data includes personal information, notably that of our customers and employees, which requires very specific protection procedures. The Group has thus developed good governance tools intended for use by all Group companies, including guidelines for online marketing and data protection. The Group and its companies act with full transparency, in accordance with applicable regulations concerning protection of their customers' personal data. Group companies give their customers clear information about the personal data they provide and ensure that confidentiality is maintained. The Group and its companies do not sell their customers' personal data and only send commercial communications to customers with their prior consent.

2.1.9. Industrial, environmental and meteorological risks

A detailed presentation of the Group's environmental risk factors and of the measures taken to ensure compliance by its business activities with legal and regulatory provisions is provided in the "Environment" section of the Management report of the Board of Directors.

In Wines and Spirits, production activities depend on weather conditions before the grape harvest. Champagne growers and merchants have set up a mechanism to cope with variable harvests, which involves stockpiling wines in a qualitative reserve. For a description of this mechanism, see §1.1.4 "Grape supply sources and subcontracting" in the "Business description" section.

In its production and storage activities, the Group is exposed to the risk of losses from events such as fires, water damage or natural disasters.

To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals from various Group companies, in particular safety, quality and environmental managers. The definition and implementation of the risk management policy are handled by the Finance Department.

Protecting the Group's assets is part of an industrial risk prevention policy that meets the highest safety standards (FM Global and NFPA fire safety standards). Working with its insurers, the Group has adopted HPR (Highly Protected Risk) standards, the objective of which is to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

This approach is combined with an industrial and environmental risk-monitoring program. In 2017, engineering consultants audited about 55 LVMH sites.

In addition, prevention and protection plans include contingency planning to ensure business continuity.

Lastly, financial risks relating to the effects of climate change as well as measures adopted to mitigate those risks are described in the "Environment" section of the Management report of the Board of Directors (§4 "Combating and adapting to climate change").

The majority of the nine themes and objectives of the LIFE 2020 environmental strategic program also include a dimension relating to supply chains, such as sustainable design, traceability and compliance of materials, and reducing greenhouse gas emissions, which result in the need to develop multiple collaborations with our partners. Two other issues impact the Group's activities in particular, namely securing access to strategic raw materials and supply channels, and the environmental and social responsibility of suppliers.

In 2012, the Group reinforced its various decision-making support and training tools to help identify suppliers that might need to be audited. The approach used enables each Group company to identify high-risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier's degree of financial dependency and geographical location.

The Group has launched a new methodological project with the aim of enhancing and updating its scoring of countries in which suppliers are based.

See §3.6 below on the procedures for regular assessment of subcontractor and supplier situations.

2.1.10. Health and safety

The Group's health and safety-related risks mainly concern employees and consumers.

- As regards employee health and safety measures, the Group believes that the skills and motivation of its employees are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to optimally express their talent and feel fulfilled in carrying out their tasks. That is why the Group's commitment to managing well-being at work is closely focused on meeting employees' needs. Actions concerning workplace safety and prevention of workplace accidents take a variety of forms within the framework of a general investment, certification and training program, depending on the diversity of situations encountered within groups of activities. In addition to health and safety issues, Group companies take into consideration the broader concept of well-being in the workplace, which is reflected by a number of initiatives including measures to prevent work-related stress, services and flexible working hours to help employees achieve a better work-life balance, and improvements in the quality of the working environment. See the "Human resources" section of the Management report of the Board of Directors (§7 "Health and safety").
- Measures concerning consumer health and safety focus on two main issues: cosmetics product safety and cosmetovigilance, and responsible consumption of the Group's champagnes, wines and spirits. The Group cares about the health and safety of its customers and applies the precautionary principle in the design, manufacture and distribution of its products. The Group is continuously looking to offer its customers products of the highest quality, through research and innovation and the highest of standards in the selection of materials and the implementation of expertise in its activities. The Group pays particular attention to production and supply conditions relating to these high-quality materials in order to ensure both the durability of these resources and observance of its principles. See the "Environment" section of the Management report of the Board of Directors (§6 "Consumer health and safety").

2.1.11. Human rights and fundamental liberties

The Group encourages ongoing improvement in social and health conditions, which are key factors in the development and protection of the rights of people. In this regard, the Group identifies two levels of issues that can violate human rights and fundamental liberties.

Internally, the Group takes account of principles relating to fundamental rights at work: elimination of professional and employment discrimination, elimination of all forms of forced and compulsory labor, effective abolition of child labor, respect for freedom of association and effective recognition of the right to collective bargaining. The Group promotes diversity in terms of backgrounds and experience. This commitment is enshrined in LVMH's Recruitment Code of Conduct and embodied by its signing of the Business Diversity Charter. The Group ensures that all of its employees are able to exercise their rights with no distinction on the grounds of skin color, gender, religion, political beliefs, national or social origin, age, disability, trade union affiliation and sexual orientation or gender identity. Particular attention is paid to the rights of vulnerable people. See the "Human resources" section of the Management report of the Board of Directors (§5 "Social responsibility") concerning the prevention of discrimination.

Externally, the Group is committed to demonstrating vigilance in identifying the potential negative effects – whether direct or indirect – of its business activities on society in order to prevent these effects and, if applicable, remedy them. Each Group company collaborates with suppliers that agree to comply with the demands of the Supplier Code of Conduct and support within their sphere influence the values, liberties and fundamental rights of the international regulations on which it is based. The exemplary behavior expected of suppliers in terms of social responsibility includes in particular the prohibition of child labor, forced labor, illegal, undeclared and unrecorded labor, harassment, abuse and discrimination, as well as various legal requirements concerning wages and benefits, working hours, freedom of association, health and safety and protection of personal information.

In consultation with Kering and sector professionals, LVMH also decided to draw up a charter on working relationships with models. See the "Human resources" section of the Management report of the Board of Directors (§7 "Health and safety").

2.2. FINANCIAL RISKS

2.2.1. Credit risk

Due to the nature of its activities, a significant portion of the Group's sales is not exposed to customer credit risk. Sales are made directly to customers through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 75% of total revenue in 2017.

Furthermore, for the remaining revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity levels or earnings. The extent of insurance against customer credit risk is satisfactory, with around 91% of LVMH's credit coverage requests granted by insurers as of December 31, 2017.

2.2.2. Counterparty risk

Through its financing, investment and market risk hedging operations, the Christian Dior Group is exposed to counterparty risk, mainly banking-related, which must be regularly and actively managed. Diversification of this risk is a key objective. Special attention is given to the exposure of our bank counterparties to financial and sovereign credit risks, in addition to their credit ratings, which must always be in the top-level categories.

2.2.3. Foreign exchange risk

A substantial portion of the Group's sales is denominated in currencies other than the euro, particularly the US dollar (or currencies tied to the US dollar such as the Hong Kong dollar) and the Japanese yen, while most of its manufacturing expenses are euro-denominated.

Exchange rate fluctuations between the euro and the main currencies in which the Group's sales are denominated can therefore significantly impact its revenue and earnings reported in euros, and complicate comparisons of its performance between different fiscal years.

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. An analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed, as well as a description of the extent of cash flow hedging for 2018 relating to the main invoicing currencies are provided in Note 22.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than the euro (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This currency risk may be hedged either partially or in full using borrowings or financial futures denominated in the same currency as the underlying asset. An analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved is presented in Note 22.5 to the consolidated financial statements.

2.2.4. Interest rate risk

The Christian Dior group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net financial debt, which totaled approximately 2.0 billion euros as of December 31, 2017. After hedging, 69% of gross financial debt outstanding was subject to a fixed rate of interest and 31% was subject to a floating rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 18.5 and 18.6 to the consolidated financial statements.

The Group's debt is denominated in various currencies, with the portion denominated in currencies other than the euro most often converted to euros via cross-currency swaps; the Group is then mainly exposed to fluctuations in euro interest rates. This interest rate risk is managed using swaps or by purchasing options (protections against an increase in interest rate) designed to limit the adverse impact of unfavorable interest rate fluctuations.

Through its use of forwards and options to hedge foreign exchange risk as described above, the Group is also exposed to the spreads in interest rates between the euro and the hedged currencies.

2.2.5. Equity market risk

The Group's exposure to equity market risk mainly relates to its ownership interests in Christian Dior and LVMH as well as to Christian Dior and LVMH treasury shares, which are primarily held to cover stock option plans and bonus shares and bonus performance share plans.

Moreover, listed securities may be held by some of the funds in which the Group has invested, or directly in non-current or current available for sale financial assets.

The Group may use derivatives to reduce its risk exposure, particularly by hedging against fluctuations in share prices. For instance, coverage of compensation plans or financial instruments index-linked to the LVMH share price may be implemented. Derivatives may also be used to create a synthetic long position.

2.2.6. Commodity market risk

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the price of future deliveries of alloys with precious metal refiners, or the price of semi- finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case, hedging consists of purchasing gold from banks, or taking out future and/or options contracts with physical delivery upon maturity.

2.2.7. Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Christian Dior group's exposure to liquidity risk can be assessed either (i) with regard to aggregate outstanding amounts in respect of its commercial paper programs, i.e. 1.9 billion euros, or (ii) by comparing the amount of short-term borrowings, excluding the impact of derivatives (4.6 billion euros) to the net amount of cash and cash equivalents (10.4 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 5.1 billion euros.

Therefore, the Group's liquidity is based on the large amount of its investments and long-term borrowings, the diversity of its investor base (bonds and short-term securities), and the quality of its banking relationships, whether evidenced or not by confirmed credit lines.

Agreements governing financial debt and liabilities are not associated with any specific clause likely to significantly modify their terms and conditions.

The breakdown of financial liabilities by contractual maturity is presented in Note 22.7 to the consolidated financial statements.

2.2.8. Organization of foreign exchange, interest rate and equity market risk management

The Group applies an exchange rate and interest rate management strategy designed primarily to reduce any negative impacts of foreign currency or interest rate fluctuations on its business and investments.

The Group has implemented policies, guidelines and procedures to measure, manage and monitor these market risks.

These activities are organized based on a segregation of duties between hedging (front office), administration (back office) and control.

This organization relies on integrated information systems that allow hedging transactions to be monitored quickly.

The Group's hedging strategy is presented to the Audit Committee.

Hedging decisions are made according to a clearly established process that includes regular presentations to the management bodies concerned and detailed supporting documentation.

3. Assessment and control procedures in place

As all of the Group's operating activities are carried out by LVMH and its subsidiaries, the assessment and control procedures for operating activities described below have been implemented at the level of LVMH.

3.1. ORGANIZATION

3.1.1. Risk management and control activities within Christian Dior

The control environment

Given the fact that it belongs to a group with the necessary administrative skills, Christian Dior uses the specialized services of Groupe Arnault SEDCS, which mainly relate to legal, financial and accounting matters. A service agreement has been entered into with Groupe Arnault SEDCS for this purpose.

Regarding the Group's external services, the Shareholders' Meeting of Christian Dior appointed two first-tier accounting firms as Statutory Auditors, which also serve in the same capacity on behalf of LVMH.

Key elements of internal control procedures

Risk management is based first and foremost on a regular review of the risks incurred by the Company so that internal control procedures can be adapted. Given the nature of the Company's activity, the primary objective of internal control systems is to mitigate risks of error and fraud in accounting and finance. The following principles form the basis of the Company's organization:

- very limited, very precise delegations of power, which are known by the counterparties involved, with sub-delegations reduced to a minimum;
- upstream legal control before signing agreements;
- separation of the expense and payment functions;
- secured payments;
- procedural rules known by potential users;
- integrated databases (single entry for all users);
- frequent audits (internal and external).

Internal controls relating to the preparation of the parent company's financial and accounting information

The individual company and consolidated financial statements are subject to a detailed set of instructions and a specially adapted data submission system designed to facilitate complete and accurate data processing within suitable timeframes. The exhaustive controls performed at the LVMH sub-consolidation level ensure that information is integrated.

Legal control

Securities held by the subsidiaries are subject to reconciliation between the Company's Accounting Department and the Group's Securities Department on a regular basis.

3.1.2. Organization of the LVMH risk management and internal control system

LVMH comprises five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. Other activities mainly consist of the media business unit, luxury yacht building and marketing, hotel and real estate activities, and holding companies. These business groups consist of entities of various sizes that own prestigious brands, established on every continent. The autonomy of the brands, decentralization and the responsibilities of senior executives are among the fundamental principles underlying the Group's organization.

The risk management and internal control policies applied across the Group is based on the following organizational principles:

- the holding companies – including LVMH SE – are responsible for their own risk management and internal control system. LVMH SE also acts as leader and coordinator on behalf of all LVMH group companies; it provides them with a reference framework and methodology as well as an application platform that centralizes all risk and internal control data (see §3.5.1 below);
- the president of each Group company is responsible for risk management and internal control at all subsidiaries that contribute to brand development worldwide; each subsidiary's president is similarly responsible for that subsidiary's own operations.

3.1.2. System stakeholders

Stakeholders are presented according to the three-lines-of-defense model, whereby the control and supervision of systems is provided by governing bodies.

Group governing bodies

The **Performance Audit Committee** ensures in particular that the Group's accounting principles comply with the standards in force, reviews the corporate and consolidated financial statements and monitors effective implementation of the Group's internal control and risk management.

The **Board of Directors** contributes to the general control environment through the expertise and responsibility of its members and the clarity and transparency of its decisions. The Board is kept informed on a regular basis of the maturity of the internal control system, and oversees the effective management of major risks, which are disclosed in its Management Report.

At regular intervals, the Board and its Performance Audit Committee receive information on the results of the operation of these systems, any weaknesses noted and the action plans decided with a view to their resolution.

The **Ethics and Sustainable Development Committee** takes care of observance of the individual and collective values on which the Group's actions are based, with the aim of helping to define rules of conduct to inspire the behavior of managers and employees in terms of ethics, social and environmental responsibility, ensuring observance of these rules, and reviewing the Group's strategy in these areas and the contents of related reports.

The **Executive Committee**, which consists of the Group's operational and functional executives, lays down strategic objectives within the framework of the direction set by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, defines executives' responsibilities and delegated authority, and ensures that the latter are properly applied.

First line of defense

All Group employees help enhance and maintain the internal control system.

Operational management: a key aspect of the internal control system applied to business processes is ownership of internal control within each entity by operational managers, who implement appropriate controls on a day-to-day basis for those processes for which they are responsible and pass on appropriate information to the second line of defense.

The **Management Committees of Group companies and subsidiaries** are responsible for implementing and ensuring the smooth running of internal control systems across all operations within their scope. The Management Committees of the Group companies are also in charge of the system for managing major risks; they review the risk mapping each year, assess the level of control as well as the progress of risk coverage strategies and the associated action plans.

Second line of defense

The **Ethics and Compliance Department** created in 2017 aims to promote, disseminate and ensure the observance of the principles and values set out in the Group's Code of Conduct. A Group Ethics and Compliance Director, reporting to the Group Managing Director, has been appointed, assisted by an Ethics and Compliance Committee made up of representatives from the Group's various departments. The Committee submits a report each year on the implementation of the Code's policies to the Ethics and Sustainable Development Committee set up in 2016 within the Board of Directors. Around this central function, a **network of ethics and compliance officers** was also created in 2017 within the Group and each Group company. These officers ensure consistent and uniform application of the principles and values of the Code of Conduct and contribute to the sharing of best practices across the Group. The Ethics and Compliance Committee also relies on networks of officers and existing committees within the Group, in particular for social responsibility, environment, purchasing and internal control.

The **Group Legal Department** helps with the legal aspects of the Group's activities and development. It conducts negotiations relating to acquisitions, disposals and partnerships. It determines the Group's legal strategy in major disputes in which Group companies become involved. It helps to define and implement multi-disciplinary projects concerning the Group as a whole. Through its Intellectual Property team, it helps protect trademarks and patents, which are among the Group's key assets. It is in charge of matters relating to stock market law and company law. It promotes observance within the Group of laws and regulations applicable to its activities.

The role of the **Corporate Affairs Department** is to protect and promote the business model of the Group and its companies as well as to seize, as far as possible, any opportunities that may arise from discussions of or changes in policies and regulatory frameworks. To this end, the department analyzes relevant policies and legislation, considers the strategic issues at stake, coordinates actions in support of the Group's external positioning, and participates, in conjunction with LVMH's regional divisions, in the decision processes of authorities in Europe, the Americas and Asia, notably in the following fields: intellectual property, the digital economy, competition, corporate governance, cultural and creative industries, and access to markets.

The **Environment Department** works to ensure that the LVMH group and its companies deliver an outstanding environmental performance, in line with the Charter signed by the Group's Chairman, covering the nine strategic priorities of the LVMH Initiatives for the Environment (LIFE) program and the four 2020 LIFE objectives. The department's structure and actions, and how these are reflected within Group companies, can be found in the "Environment" section of the Management report of the Board of Directors (§1 "General environmental policy").

The **Group Risk Management and Insurance Department**, alongside operational managers responsible for risks inherent in their businesses, is particularly involved at Group level in cataloging risks, preventing losses and determining the risk coverage and financing strategy.

The **other functional departments**, presented in §3.1.3 below, help manage risks related specifically to financial and accounting information.

The **Internal Control Department**, which reports to the Group Audit and Internal Control Director, coordinates the implementation of internal control and risk management systems. It monitors and anticipates regulatory changes in order to adapt mechanisms. It coordinates a **network of internal controllers** responsible, within the Group companies and under the responsibility of their Management Committees, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their business. They also spearhead various projects related to the internal control and risk management systems and promote the dissemination and application of guidelines.

The **Protection of Assets and Persons Department** determines and implements anti-counterfeiting and anti-grey market policy for the benefit of 20 Group companies for both offline and online markets. Its worldwide efforts aim to dismantle criminal networks that breach intellectual property rights and damage the reputation of our brands. It is also in charge of coordinating security measures applicable within Group companies and for the benefit of employees travelling on business or expat employees.

The **Employee Safety Committee** meets regularly to analyze the effectiveness of systems designed to ensure the safety of travelers and employees of the Group abroad, and make any decisions required in exceptional situations.

Equivalent departments at brand or business group level: the organizational structure described above at Group level is mirrored in the main business groups and Group companies.

Third line of defense

The **Audit and Internal Control Department**, whose purview extends across the entire LVMH group, applies a multi-year audit plan, updated annually. The audit plan is used to monitor and reinforce the understanding and correct application of expected control activities. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical location, quality of local management, etc.) and on the basis of meetings held with the operational managers concerned; it can be modified during the year in response to changes in the political and economic environment or internal strategy. The audit plan is also prepared with a view to covering all Group companies.

The audit teams conduct internal control assessments covering various operational and financial processes. They also undertake accounting audits as well as audits of cross-functional issues within a given business segment. Follow-ups on recommendations resulting from past audits are backed up by systematic on-site inspections at those subsidiaries with the most significant issues.

Internal Audit reports on its conclusions to management of the entity concerned and to Executive Management of the LVMH group by way of an audit report explaining its assessment, recommendations and setting out managers' commitments to apply them within a reasonable period of time. Internal Audit sends copies of the reports it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues. The main features of the audit plan, the primary conclusions of the current year and the follow-up of the principal recommendations of previous assignments are presented to the Performance Audit Committee.

External stakeholders

The external auditors and the various certifying bodies (RJC, ISO 14001, etc.) help to reinforce the current system through their work and recommendations.

3.1.3. Organization and parties related to financial and accounting information

At Christian Dior level

As noted above, Christian Dior is a holding company that directly and indirectly controls a 41% equity stake in LVMH. LVMH is a listed company with a governance structure that checks the integrity and relevance of its own financial information. Its organization is described in detail below. At the Christian Dior SE level, financial information intended for the financial markets (financial analysts, investors, individual shareholders, market authorities) is provided under the supervision of the Company's **Finance Department**, which also oversees the production of the parent company and consolidated financial statements as well as the publication of the Annual Report and the Interim Financial Report. This information is strictly defined by current market rules, specifically the principle of equal treatment of investors.

At LVMH level

Risk management and internal controls of accounting and financial information are the responsibility of the following departments, which are all part of the LVMH group's Finance Department: Accounting and Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax, and Financial Communication.

The **Accounting and Consolidation function** is responsible for preparing and producing the individual company accounts of LVMH SE and of the holding companies that control the Group's equity holdings, the consolidated financial statements, and interim and annual results publications, in particular the Interim Financial Report and the Reference Document. To this end, the Accounting Standards and Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. The Consolidation Department also coordinates the LVMH group's Statutory Auditors.

Management Control is responsible for coordinating the budget process, the update of budget estimates during the year and the five-year strategic plan, as well as impairment testing of fixed assets. Management Control produces the monthly operating report and all reviews required by Executive Management (see §3.4.3 "Management reporting" below); it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators. By virtue of its area of competence and the structure of the reports it produces, Management Control is an essential participant in the internal control and financial risk management system.

These two functions are placed under the responsibility of the **Deputy CFO**.

The **Information Systems Department** designs and implements information systems needed by the Group's central functions. It disseminates the LVMH group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies between businesses, while respecting brand independence. It develops and maintains a telecommunications system, IT hosting platforms, and transversal applications shared by all entities in the Group. In cooperation with the subsidiaries, it supervises the creation of three-year plans for all information systems across the Group, by business group and by entity. It defines strategic orientations in terms of cybersecurity, devises and publishes internal policies and shared plans of action, and helps brands to implement detection and incident response systems, as well as to devise backup plans.

Corporate Finance and Treasury is responsible for implementing the LVMH group's financial policy, which includes balance sheet optimization, financing strategy, management of finance costs, returns on cash surpluses and investments, improvements to financial structure, and the prudent management of solvency, liquidity, market and counterparty risk.

Within this department, the International Treasury team focuses more specifically on pooling the Group's surplus cash, and meets subsidiaries' short- and medium-term liquidity and financing requirements. It is also responsible for applying a centralized foreign exchange risk management strategy.

The Markets team, which is also part of Corporate Finance and Treasury, is delegated the responsibility of implementing a centralized market risks policy generated by Group companies: foreign exchange, interest rate and counterparty risks incorporated into the assets and liabilities.

Strict procedures and a management policy have been established to measure, manage and consolidate these market risks. Within this team, the separation of front office and back office activities, combined with an independent control team reporting to the Deputy CFO, allow for a greater segregation of duties. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is presented regularly to the LVMH group Executive Committee as well as the Performance Audit Committee and is the object of detailed documentation.

The **Tax Department** ensures compliance with applicable laws and regulations, advises the various business groups and companies and proposes tax solutions appropriate to the LVMH group's operational requirements. It organizes appropriate training courses in response to major changes in tax legislation and provides uniform reporting of tax data.

The **Financial Communications Department** is responsible for coordinating all information issued to the financial community so as to provide the latter with a clear, transparent and accurate understanding of the Group's performance and outlook. It also provides Executive Management with the perspectives of the financial community on the Group's strategy and its positioning within its competitive environment. It works closely with Executive Management and the business groups to define key messages, and harmonizes and coordinates the dissemination of those messages through various channels (publications such as the annual and interim reports, financial presentations, meetings with shareholders and analysts, the website, etc.).

Each of these departments is responsible for ensuring the quality of internal control in its own area of activity via the **finance departments of business groups, companies and subsidiaries**, which are in turn responsible for similar functions within their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (Controller, Head of Accounting, Consolidation Manager, Treasurer, etc.). The finance departments of the main companies of the Group and the departments of LVMH, described above, periodically organize joint finance committees. Run and coordinated by the central departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal control relating to accounting and management data.

3.2. INTERNAL STANDARDS AND PROCEDURES

Via its **Ethics & Compliance Intranet**, LVMH disseminates to its subsidiaries a set of codes, charters and principles intended to guide all Group companies and their employees in conducting their activities. These include primarily the LVMH group Code of Conduct, the LVMH group's internal guiding principles, the Supplier Code of Conduct and various charters (Charter of the Board of Directors, Charter on Working Relations with Fashion Models and Their Well-being, Competition Law Compliance Charter, Environmental Charter, Information Systems Security Charter, Privacy Charter, etc.).

Through its **Finance Intranet**, LVMH provides access to all rules and procedures concerning accounting and financial information, applicable to all subsidiaries: notably procedures applying to accounting policies and standards, consolidation, taxation, investments, reporting (budgets and strategic plans), cash management and financing (cash pooling, foreign exchange and interest rate hedging, etc.); these procedures also specify the format, content and frequency of financial reporting.

The Finance Intranet is also used for the dissemination of **internal control principles and best practices**:

- the LVMH internal control framework, which covers 14 key business processes shared by all our activities: Sales, Retail Sales, Purchases, Licenses, Travel, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems, Accounting Period-End Procedures, Environment, and Insurance;
- the minimum basis for internal control, "IC Base", made up of 70 key controls taken from LVMH guidelines, supporting annual self-assessment (see "The ERICA approach" below);
- business line guidelines developed to reflect the specific characteristics of our activities (Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, Duty-Free Concessions);
- best practice and tools relating to issues that the Group considers important: fraud, conflicts of interest, delegations of authority, business continuity planning, IT disaster recovery planning, IT security policies and guidelines, segregation of duties, control of media spend, and in-store best practices.

The **"Major Risks" section of the Finance Intranet** brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. These materials may be accessed by all personnel involved in the application of the Group's risk management.

Lastly, the **Group Legal Department** prepares tools for Group companies that aim to allow them to comply with (i) various regulations, in particular those relating to combating money laundering, limits on cash payments in force in the main markets in which the Group operates, embargoes and economic sanctions imposed by certain countries; and (ii) the new EU General Data Protection Regulation.

3.3. INFORMATION AND COMMUNICATION SYSTEMS

Strategic plans for developing information and communication systems at LVMH are coordinated by the Information Systems Department, which ensures that all solutions implemented are harmonized and that business continuity plans are in place. Aspects of internal control (segregation of duties, access rights, etc.) are integrated when implementing new information systems and then regularly reviewed.

Information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are covered by special procedures: a "Business Continuity Plan" methodology toolkit has been disseminated within LVMH to outline a Business Continuity Plan and a Disaster Recovery Plan for each significant entity. A Business Continuity Plan and a Disaster Recovery Plan have been developed and tested at the level of Groupe Arnault SEDCS, with which Christian Dior SE has entered into a service agreement.

All significant entities have appointed a Chief Information & Security Officer (CISO). The activities of CISOs are coordinated by the Group CISO; together they constitute a vigilance network to monitor the development of risks affecting information systems, and implement adequate defenses depending on the likelihood of a given type of risk and its potential impact.

Audit programs, intrusion testing and vulnerability audits are performed by entities and by the Group Information Systems Department.

In April 2015, LVMH set up an operations center to monitor and assess information systems security on behalf of all Group companies.

3.4. INTERNAL AND EXTERNAL ACCOUNTING CONTROL PROCEDURES

3.4.1. Accounting and management policies

Subsidiaries adopt the accounting and management policies communicated by the Group for the purposes of the published consolidated financial statements and internal reporting; they all use the same framework (chart of accounts and manual of accounting policies) and the accounting and management reporting system administered by the Group, thus ensuring consistency between internal and published data.

3.4.2. Consolidation process

The account consolidation process is covered by regular detailed instructions; a specially adapted data submission system facilitates consistent, comprehensive and reliable data processing within the appropriate timeframes. The president and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group – including off-balance sheet items – in a signed letter of representation which gives added weight to the quality of their financial information.

Sub-consolidations are carried out at Group company and business group level, which act as primary control filters and help ensure consistency.

At the level of LVMH, the teams in charge of consolidation are organized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

The quality of financial information, and its compliance with standards, are also guaranteed through ongoing exchanges with the Statutory Auditors whenever circumstances are complex and open to interpretation.

3.4.3. Management reporting

Each year, all of LVMH's consolidated entities produce a strategic plan, a complete budget and annual updates. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between companies and the Group – an essential feature of the financial internal control mechanism.

A team of controllers at LVMH, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions, as well as appropriate controls.

Specific meetings to close out the half-yearly and annual financial statements are attended by the departments concerned and the LVMH Finance Department; during those meetings the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environments of the different LVMH companies.

3.5. FORMALIZATION AND MANAGEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Verification of compliance with the Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group. The internal and external accounting control procedures put in place by LVMH ensure in particular that the financial statements are not used to conceal acts of bribery or influence-peddling, and to assess the due diligence measures taken to prevent and combat any form of bribery or influence-peddling.

3.5.1. ERICA

In line with European directives and the ordinance of December 2008, the Group introduced its Enterprise Risk and Internal Control Assessment (ERICA) approach, a comprehensive process for improving and integrating systems for managing major risks and internal control related to its ordinary activities.

Since 2015, this approach has been rolled out across all of the Group's brands. It comprises in particular annual mapping of the major risks for each brand and self-assessment of 69 key controls taken from the internal control guidelines by all Group entities at least every three years. During this three-year period, the Group actions self-assessment across a limited number of entities that is revised each year. Group companies have full autonomy to extend the process across the scope that they deem appropriate.

Recently acquired entities are allowed two years to implement this approach once the integration process has been completed;

The Group's companies and business groups acknowledge their responsibility in relation to this process each year by signing two letters of representation:

- an ERICA letter of representation concerning risk management and internal control systems, signed on June 30. By signing the letter, the president, CFO and/or members of the Management Committee at each entity confirm their responsibility for these systems, and give their assessment of them, identifying major weaknesses and the corresponding remediation plans. These letters are analyzed, followed up on and "consolidated" at each higher level of the Group's organizational structure (region, Group company and business group); they are forwarded to the Group's Finance Department and to its Audit and Internal Control Department. They are also made available to the Statutory Auditors;
- the annual letter of representation on financial reporting, including a paragraph devoted to internal control, mentioned above ("Consolidation process").

Since 2013, depending on the circumstances, presidents of Group companies have been required to present the Performance Audit Committee with an update on achievements, action plans in progress and the outlook for their area of responsibility, in terms of internal control and risk management.

3.5.2. Management of major risks and of the internal control system

Major risks relating to the Group's brands and businesses are managed at business group and Group company level. As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are identified and evaluated, and formalized in specific chapters.

Once an acceptable risk level has been determined and validated, risks are handled via preventive and protective measures; the latter include business continuity plans (BCPs) and crisis management plans in order to organize the best response to risks once they have arisen. Finally, depending on the types of risk to which a particular brand or entity is exposed and the amount of residual risk, the entity may decide, in collaboration with the Group, to use the insurance market to transfer part or all of the residual risk and/or assume this risk.

Ongoing monitoring of the internal control system and periodic reviews of its functioning are carried out on a number of levels:

- managers and operational staff at Group companies are given the responsibility, with the support of internal control personnel, of assessing the level of internal control on the basis of key controls, identifying weaknesses and taking corrective action. Exception reports allow for the enhancement of detective controls in addition to preventive measures;
- a formal annual self-assessment process, based on a list of key controls taken from the internal control framework, integrated into the ERICA system (see above);
- the Statutory Auditors are kept informed of this approach, as is the Performance Audit Committee, by means of regular briefings;
- reviews are carried out by Group Internal Audit and the Statutory Auditors, the findings and recommendations of which are passed on to entities' management and Group Executive Management;
- a review of the ERICA system and the quality of self-assessment is an integral part of the work of the Internal Audit team at all audited entities.

3.6. PROCEDURES FOR REGULAR ASSESSMENT OF SUBCONTRACTOR AND SUPPLIER SITUATIONS

LVMH implements verification audits and due diligence measures among its stakeholders in order to help to identify, assess and anticipate the risks and opportunities for improvement, and thereby ensure more in-depth knowledge of its partners. These procedures are used to verify that the performance of its partners is in line with its own requirements and respects the best practices set out in the LVMH Code of Conduct, in particular as regards ethics, social issues, the environment and respecting human rights. By means of the controls performed, LVMH can also help its partners to implement and comply with best practices in order to resolve minor cases of non-compliance. These measures and their implementation are included in agreements between LVMH and its partners.

Group companies structure their approach to suppliers in three stages: identifying the most at-risk suppliers, selecting key product categories within each business group and developing an ongoing social and environmental audit program.

3.6.1. Identification of at-risk suppliers

The approach for identifying at-risk suppliers takes account of various fields of analysis. In 2012, LVMH reinforced its various decision-making support and training tools to help identify suppliers that might need to be audited. The approach used enables each Group company to identify high-risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier's degree of financial dependency and geographical location.

Strategic supply sources

The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group's exacting quality standards. This mainly involves the supply of grapes and eaux-de-vie in connection with the activities of the Wines and Spirits business group; leathers, canvases, wools and furs in connection with the activities of the Fashion and Leather Goods business group; and watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewelry business group. In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. Although the Group enters into these partnerships in the context of long-term commitments, it is constantly on the lookout for new suppliers also able to meet its requirements. By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of splitting supplies for strategic Perfumes and Cosmetics products.

In addition, for some rarer materials, or those whose preparation requires very specific expertise, such as certain precious leathers or high-end watchmaking components, the Group pursues a vertical integration strategy on an ad hoc basis.

As regards supply sources, see also the "Environment" section of the Management report of the Board of Directors (§3.2 "Consumption of raw materials").

Geographical exposure

In late 2017, identification of at-risk suppliers was enhanced by means of a new methodological project to specify the different levels of geographical exposure for the activities of LVMH and Group companies on the basis of three issues: corruption, human rights and the environment.

Each mapping allows for levels of risk to be viewed for each country with regard to Group companies' administrative, production and distribution activities.

This methodological project has been carried out with the help of an external consulting firm using an external database containing ten years' worth of information about countries and products, as well as economic, environmental, political and human rights-related issues.

This data has been cross-referenced with qualitative and quantitative information provided internally by Group companies, such as the level of activity, amount of procurement by category, number of stores and number of employees in each country. This methodological project will be updated regularly.

3.6.2. Targets relating to specific challenges for groups of activities

The Group's Fashion and Leather Goods companies have developed a number of initiatives relating to materials and supplies that are considered key. The target for 2020 is to consolidate the social audit of more than 90% of suppliers. In addition, four priority product categories have been identified as concerning all Group companies:

- **leather:** the target for 2020 is to obtain at least 70% of total supplies from tanneries that meet the requirements of the Leather Working Group (LWG). For example, in 2017, supplies obtained by Loewe from LWG-certified tanneries accounted for 71% of total supplies. As regards Heng Long – the exotic leather tannery in Singapore – 100% of its farms supplying crocodile skin will be audited and certified in 2020 by NSF (National Sanitation Foundation) on the basis of LVMH's guiding principles. In 2017, Louis Vuitton decided to extend the scope of environmental audits to include leather suppliers for shoes and accessories. The leather goods business has continued with its efforts by auditing Tier 2 suppliers. In 2018, Louis Vuitton intends to focus obtaining LWG accreditation for three main tanneries, as well as the environmental audit of two tanneries among new Tier 2 suppliers. In order to reinforce the environmental commitment of its tanneries, Louis Vuitton has introduced key environmental indicators within the framework of a half-yearly activity review. Group companies systematically share the Business for Social Responsibility (BSR) network's Animal Sourcing Principles with their suppliers. LVMH is also a member of several working parties involved in the adoption of best practices within networks like BSR for fur, the Responsible Ecosystems Sourcing Platform (RESP) for snakeskin and the Leather Working Group (LWG) for cattle hides;
- **fabric:** LVMH and its Group companies continue to strive to obtain sustainable cotton supplies. The target for 2020 is to obtain at least 70% of total cotton supplies from producers that adhere to the BCI (Better Cotton Initiative). As regards sheep's wool, LVMH has decided to encourage two approaches within its supply chain: the best practices defined by the IWTO (International Wool Textile Organisation) and the RWS (Responsible Wool Standard). For example, Thomas Pink made major changes to its cotton purchasing. In 2016, 60% of cotton used by the Group company came from BCI suppliers. For 2018 and beyond, Thomas Pink's aim is to increase its procurement of supplies that meet this standard;
- **chemicals** (particularly in metal parts): LVMH has put in place an in-house standard, the LVMH RSL (Restricted Substances List), which prohibits the use of hazardous substances in items brought to market, as well as their use by suppliers. This standard, rolled out to all Fashion and Leather Goods companies, includes the most stringent regulatory requirements and anticipates future regulations. It also allows suppliers to better understand their obligations and to take a continuous improvement approach;
- **finished and semi-finished products:** following the partnership with MADE-BY in 2016, Loewe worked on clarifying its ready-to-wear supply chain by adding certain suppliers to the internal supplier risk assessment tool.

The Wines and Spirits business group has identified a number of priority areas to ensure sustainable development in its activities. This plan of action is centered on meeting environmental, social and societal targets in the areas of:

- **transportation:** the aim is to reduce the environmental footprint of Group companies by increasing the ratio of transportation by sea and rail, as well as stepping up the use of compressed natural gas (CNG) vehicles for the transportation of finished products;
- **packaging:** in 2017, 100% of new packaging developed for the champagne and cognac brands was tested to calculate its Environmental Performance Index (EPI);
- **advertising materials:** 100% of at-risk suppliers have been audited in Europe and Asia. The aim is to extend this policy to all countries where relevant.

Each year, the Perfumes and Cosmetics business group defines CSR actions and objectives for its suppliers of packaging, raw materials, promotional articles and advertising materials. In 2016, social audits covered 100% of Tier 1 suppliers in at-risk regions for glass, cardboard and metal/plastic. In addition, in 2016, environmental audits covered 100% of Tier 1 glass suppliers. At the end of 2017, environmental audits were extended to all cardboard packaging suppliers. As regards other key supplies, it should be noted that in 2017:

- 100% of alcohol and vegetable glycerin suppliers were audited (social and environmental audits);
- social audits are mandatory to confirm approval of all of our suppliers of promotional items.

Furthermore, the Group's Perfumes and Cosmetics companies use palm oil derivatives and have set themselves a target of using at least 50% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil derivatives by the end of 2018. In 2017, the Perfumes and Cosmetics division signed up to the Responsible Mica Initiative while also stepping up its efforts by carrying out audits within this business line.

Lastly, a Responsible Purchasing Charter was adopted in 2014 by six of the Group's Perfumes and Cosmetics companies. The aim is to formally set out the conditions for a responsible relationship with all suppliers. In order to support us in this approach, a partnership was formed with EcoVadis in 2017. This partnership should enable us to assess the CSR commitments of 350 suppliers in 2018.

All of the Group's Watches and Jewelry companies have been certified by the Responsible Jewellery Council (RJC). Bvlgari has also had its gold product lines certified under the Responsible Jewellery Council's traceability audit program. The Watches and Jewelry business group has identified three main categories of key raw materials:

- **diamonds and precious metals:** the RJC has developed a certification system designed, in particular, to ensure that diamonds used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds. In 2016, exhaustive mapping was carried out of supplies obtained directly and indirectly from subcontractors;
- **colored gemstones:** in March 2016, the RJC announced that it had added colored gemstones to its certification scope within the framework of a new standard to be launched in 2018-2019. Bvlgari is a member of the working party on defining a standard to be included in RJC certification in partnership with NGO The Dragonfly Initiative, an organization bringing together European and American players *in fine* jewelry working on the development of best practices for the extraction of colored gemstones.

Within the Selective Retailing business group, Sephora has identified two major procurement categories: indirect procurement and procurement on behalf of its private label, S+. In 2017, Sephora identified suppliers deemed to be at risk in terms of social and environmental factors for both of these procurement categories. In Europe, social audits covered 100% of at-risk factories, while at the same time Sephora increased the number of environmental audits of at-risk suppliers, with the aim of auditing 100% of them in 2020. By 2020, all high-risk suppliers worldwide will have undergone social and environmental audits for both of these procurement categories.

3.6.3. Supplier audit and assessment processes

At the level of LVMH, 1,497 social and/or environmental audits were carried out in 2017 – more than 80% of them by specialized external service providers – at 1,015 of the Group's suppliers. Of these audits, 58% related to both social and environmental criteria. 55% of audits carried out were in line with the Group's requirements, 30% found minor instances of non-compliance, 12% highlighted a need for significant improvement by suppliers and 3% found major instances of non-compliance. Non-compliance issues identified related primarily to the Health & Safety indicator. In all, 570 corrective action plans were put in place following these audits.

The use of preliminary audits also enabled better advance identification of supplier practices, resulting in decisions to refrain from working with certain potential suppliers.

The number of follow-up audits increased in 2017, showing that Group companies regularly monitor their suppliers and support them in their efforts to improve.

In some cases, LVMH and/or some Group companies had to terminate existing relationships with suppliers whose social audit findings revealed major instances of non-compliance with LVMH's Code of Conduct. There were 26 such cases in 2017.

In the interest of continued improvement in this area, in 2018, Group companies will continue to audit suppliers and follow up on action plans as well as developing synergies arising from the Group's membership of Sedex. In 2017, LVMH, the Perfumes and Cosmetics business group, and Louis Vuitton also joined forces with EcoVadis in order to develop an even more exhaustive approach to controlling their supply chains. The Group will also aim to strengthen the working groups for each of its businesses to best reflect their specific characteristics and requirements.

	Europe	Asia	North America	Other (b)
Breakdown of suppliers *(as %)*	71	17	9	3
Breakdown of audits (a) *(as %)*	71	24	1	4

(a) Of which 57% initial audits and 43% follow-up audits.
(b) Including Africa.
Scope: Wines and Spirits, Perfumes and Cosmetics, Louis Vuitton, Christian Dior Couture, Loro Piana, Berluti, Fendi, Givenchy Couture, Loewe, Marc Jacobs, Céline, Rossimoda, Bvlgari, Fred, Hublot, TAG Heuer, Zenith, DFS, Sephora and Le Bon Marché.

4. Lines of defense

As all of the Group's operating activities are carried out by LVMH and its subsidiaries, the lines of defense described below have been implemented at the level of LVMH.

4.1. APPROPRIATE ACTIONS TO MITIGATE RISK OR PREVENT SERIOUS ATTACKS

4.1.1. Insurance policy

The Group has a dynamic global risk management policy based primarily on the following:

- systematic identification and documentation of risks;
- risk prevention and mitigation procedures for both human risk and industrial assets;
- implementation of international business continuity and contingency plans;
- a comprehensive risk financing program to limit the consequences of major events on the Group's financial position;
- optimization and coordination of global "master" insurance programs.

The Group's overall approach is primarily based on transferring its risks to the insurance markets at reasonable financial terms, and under conditions available in those markets both in terms of scope of coverage and limits. The extent of insurance coverage is directly related either to a quantification of the maximum possible loss, or to the constraints of the insurance market.

Compared with the Group's financial capacity, its level of self-insurance is not significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs borne by Group companies are around 0.15% of consolidated revenue.

The financial ratings of the Group's main insurance partners are reviewed on a regular basis, and if necessary one insurer may be replaced by another.

The main insurance programs coordinated by the Group are designed to cover property damage and business interruption, transportation, terrorism, construction, credit, third-party liability and product recall.

Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and resulting business interruption.

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. The coverage limit of this program is 2 billion euros per claim, an amount determined based on an analysis of the Group's maximum possible losses.

Coverage for "natural events" provided under the Group's international property insurance program totals 75 million euros per claim and per year. As a result of a Japanese earthquake risk modeling study performed in 2014, as well as an update of the major risk areas in 2016, specific coverage in the amount of 18 billion yen was taken out for this risk. These limits are in line with the Group companies' risk exposures.

Transportation insurance

All Group operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program is 60 million euros, which corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

Third-party liability

The LVMH group has established a third-party liability and product recall insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for the Group's risks, given the insurance capacity and coverage available internationally. Coverage levels are in line with those of companies with comparable business operations. As regards product recalls, the cover purchased is considerably more than the average available on the worldwide market.

This program covers environmental losses arising from gradual or sudden accidental pollution and environmental liability (Directive 2004/35/EC).

Specific insurance policies have been implemented for countries where work-related accidents are not covered by state insurance plans or social security systems, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states. Subject to certain conditions and limitations, the Group covers its senior executives and employees either directly or via an insurance policy for any individually or jointly incurred personal liability to third parties in the event of professional misconduct committed in the course of their duties.

Coverage for special risks

Insurance coverage for political risks, company officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism, loss or corruption of computer data, construction project risks and environmental risks is obtained through specific worldwide or local policies.

4.1.2. Fraud prevention and detection

Over the past few years, fraud risk has dramatically transformed, with an upsurge in fraud through identity theft and an increase in attacks using social engineering to gain access and steal data. The Group and its companies have stepped up their vigilance, adapting internal procedures, awareness campaigns and training programs to the changing scenarios encountered or that might reasonably be predicted.

Given the large number of controls intended to prevent and detect this risk, the internal control framework is the backbone of the Group's fraud prevention mechanism.

Another essential component of this system is the obligation for each entity to report any instances of actual or attempted fraud to LVMH's Audit and Internal Control Director: as well as supervising actions and decisions in response to each reported case, the Director endeavors to draw lessons from incidents so as to relay them, once anonymized, to the chief financial officers of all Group companies.

The Audit and Internal Control Department at LVMH has therefore introduced a program to raise awareness of the risk of fraud through periodic communiqués identifying scenarios of actual and attempted fraud within the Group. For each scenario a prevention plan is presented. Group companies and subsidiaries must check that appropriate measures are in place to prevent such scenarios. These communiqués are disseminated widely within the Group to ensure ongoing awareness among those staff most exposed to this risk.

Lastly, a specific fraud module has been added that forms part of the "Fundamentals" training program at the LVMH Internal Control Academy (see "Warning mechanisms" below).

4.1.3. External and internal actions to support suppliers

Supplier support actions

LVMH maintains regular dialogue with its suppliers and is highly involved in their operations, which has led the Group to help them implement and comply with environmental, workforce-related and societal best practices, while raising awareness and providing training on the corporate social responsibility issues specific to their business. For a number of years, Group companies have provided their suppliers with tools to help them for example better understand their regulatory obligations relating to REACH – the EU chemicals regulation – and to make progress in this regard. For example, in 2017 Sephora was particularly active in its two major supply categories – indirectly and on behalf of its own brand (S+) – providing CSR coaching and training for its main suppliers in order to help them to improve their performance in annual reassessments. Every year since 2014, a Supplier Forum has been held to bring together representatives of the Group's companies and their suppliers. This event provides an opportunity to present the responsible purchasing standards of LVMH and its companies, to hear feedback from suppliers who have made improvements in synergy with Group companies, and lastly to share best practice.

Following Italy in 2014 and China in 2015, the 2016 Supplier Forum was held in Hong Kong. The 2016 event did not relate to just one specific region, as had been the case for previous forums, but to specific purchasing categories shared by the majority of Group companies – including packaging, which represents a major environmental performance issue for the Group. The 2017 event was held in Shenzhen and Hong Kong, with over one hundred Tier 1 or above suppliers attending four one-day training sessions. These training sessions focused on control of environmental risk at the production plants of our suppliers and subcontractors.

Sharing best practices internally

It is also vitally important to raise awareness among in-house staff who are directly or indirectly involved in relations with suppliers (buyers, production teams, etc.).

Since 1992, the LVMH Environmental Committee has gathered together environment officers from the various Group companies to talk about internal and external best practices, including those relating to suppliers. The Environment Department also works with the Purchasing Department to devise a shared responsible purchasing policy. Since 2005, the two departments have worked together to organize an annual Supplier Sustainability Day bringing together the Purchasing, Environment, Legal and Internal Control Departments of the various Group companies in order to raise awareness and train purchasing staff and suppliers in responsible purchasing. All of the Group's business activities are represented at this event, which provides a forum for Group companies to present their plans, actions and progress on sustainable and responsible purchasing, and to exchange with the Group on the LIFE 2020 objectives. At the 2015 event, the decision was made to set up working groups specific to each business group to ensure that action plans better reflect their specific issues and characteristics. The aim is to identify the most sensitive procurement categories for each activity and increase their level of maturity in terms of responsible purchasing.

4.1.4. Actions relating to environmental issues

The "Environment" section of the Management report of the Board of Directors sets out targets and initiatives allowing for an understanding of the nature of environmental risks and opportunities, particularly with regard to supply issues, as well as the environmental impact of the activities of Group companies and issues relating to health and safety of persons. Within this section, see also §1.3 "Preventing environmental risks and pollution" and §1.4 "Provisions and guarantees given for environmental risks".

As regards in particular issues relating to obtaining supplies and supplier integration, the Group's approach is structured around different procedures and initiatives.

As part of its LIFE 2020 strategic program, LVMH has set itself the target of implementing best practices in 70% of its supply chains, reaching 100% in 2025. This target, which relates to the production of raw materials, farming, breeding and extraction, also concerns the production plants of Group suppliers. The LVMH group's environmental performance is closely linked to its ability to involve suppliers and subcontractors in its approach and make them part of its sustainable procurement policy.

In addition to verification audits and due diligence measures conducted among suppliers and subcontractors (see §3.6 above), a number of initiatives have been implemented by Group companies spanning all issues covered by the LIFE 2020 strategic program, concerning for example ISO 14001 certification for supply chains or collaboration in obtaining supplies, sustainable design and transportation. LVMH is involved in various technical and academic collaborations that allow it to analyze the environmental performance of its core business lines. For example, in 2016 LVMH was involved in drafting the new version of the BSR (Business for Social Responsibility) Animal Sourcing Principles, a document setting out general principles to ensure animal well-being in supply chains. LVMH is also involved in the work of the Leather Working Group and Textile Exchange, which aim to define best practices for cattle and sheep breeding. The Group's fashion companies have made a commitment not to use fur from endangered species. LVMH works hand in hand with its European and North American suppliers and gives absolute priority to certified skins from farms that are audited regularly in accordance with recognized standards and verified by independent third parties. Lastly, in the Wines and Spirits sector, the Belvedere distillery has created a program dedicated to raw alcohol with suppliers and scientists in Poland. The aim is to safeguard and improve the quality of its supplies by guaranteeing the local provenance of alcohol and environmentally-friendly farming practices.

As regards in particular the traceability and compliance of all materials and substances used in the manufacturing of products sold, the Group focuses its vigilance on compliance with regulatory requirements, while monitoring the opinions of scientific committees and the recommendations of industry associations in Europe and throughout the world, as well as making an ongoing effort to raise awareness among and train employees. LVMH is also governed by stringent internal rules on the development of new products, which it makes its suppliers apply. Regulatory pressure has increased over recent years and all new suppliers receive the REACH compliance letter, created following the adoption in 2006 of the European regulations that rationalized and improved the European Union's former regulatory framework on chemical substances. By signing the document, these suppliers commit to complying with the requirements of the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations or similar regulations. For Fashion and Leather Goods as well as Watches and Jewelry companies, the risks management policy is reflected by a comprehensive program based on a new internal standard, the LVMH RSL (Restricted Substances List), which prohibits or restricts the use of certain substances in items brought to the market, as well as their use by suppliers. In 2016, the Group began training its staff in using the RSL, which will help Group companies to enter a process of ongoing improvement. Another internal tool, the LVMH Testing Program enhances the control system of the Group's Fashion and Leather Goods companies, allowing them to test the highest-risk substances depending on the materials at five partner laboratories. LVMH's Environment Department has also drawn up and disseminated specific technical guidelines to help suppliers to eliminate certain substances and use alternatives. In parallel with these initiatives, the Group is continuing to talk to other operators in the luxury goods industry and industry federations to develop best practices.

Since 2016, an Environment Academy has been charged with developing the competency of LVMH group employees. The training provided for LVMH employees via the Academy responds to the main aspects of the LIFE program. A complete training course has been devised on the basis of a core lesson plan comprising nine "à la carte" business modules and one "soft skills" module. Business training is also available. For example, Group buyers are invited to take part in a one-day session entitled "Constructing environmental performance with suppliers". Here they learn to identify the environmental risks relating to supplier practices and to better assess these risks with the help of a grid of ten questions developed by LVMH. In-store employees and staff in charge of purchasing can also follow the training offered by the Environment Academy on the CITES convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) in order to better understand how this applies to their day-to-day activities. Overall in 2016, more than 18,841 hours of training were provided by the Group and Group companies on environmental issues, including around 2,735 hours directly managed by the Academy. Some Group companies have also stepped up their Supplier Environmental Diagnostics training efforts.

4.1.5. Actions relating to social issues

The "Human resources" section of the Management report of the Board of Directors describes the various programs and initiatives in place within the area of social responsibility. Three categories of information can be highlighted with regard to issues relating to human rights, employee health and safety and relations with suppliers.

Respecting and promoting human rights and fundamental liberties

The Group respects and defends the principles of the Global Compact, in particular those relating to fundamental rights at work: elimination of professional and employment discrimination, elimination of all forms of forced and compulsory labor, effective abolition of child labor, respect for freedom of association and effective recognition of the right to collective bargaining. LVMH promotes diversity in terms of backgrounds and experience. This commitment is enshrined in the Group's Recruitment Code of Conduct and embodied by its signing of the Business Diversity Charter. LVMH ensures that all of its employees are able to exercise their rights with no distinction on the grounds of skin color, gender, religion, political beliefs, national or social origin, age, disability, trade union affiliation and sexual orientation or gender identity. Particular attention is paid to the rights of vulnerable people. For example, the human resources management policy takes account of non-discrimination and diversity in the workplace.

The Group respects its employees' right to freedom of expression and opinion, which is formulated within the framework of constructive dialogue. The Group respects its employees' right to incorporate freely and voluntarily and to join groups to promote and defend their professional interests. The Group encourages meaningful dialogue and consultation with employee representatives as well as the respect and consideration for employee representatives in each of the countries where it has a presence. See the "Human resources" section of the Management report of the Board of Directors (§8 "Employee relations").

Promoting workplace well-being

The Group cares about the health and safety of its employees, makes sure that all its activities respect current health and safety legislation and regulations in all the countries in which it operates and pays particular attention to implement best practice with regard to safety in the workplace. LVMH protects its employees in the context of their professional duties from any exposure to hazardous materials or situations, and signals any potential risks. Rules of procedure in force within the Group specify rules relating to health and safety at work. Employees are made aware of these rules. LVMH is committed to helping its employees maintain a satisfactory work-life balance. See the "Human resources" section of the Management report of the Board of Directors (§7 "Health and safety").

At Group level, as part of a project looking at the possibility of standardizing healthcare benefits, the "Cœur Social" program provides for the introduction of common core benefits.

Implementing and promoting a responsible approach with partners

LVMH asks its suppliers to comply with the ethics principles set out in the Supplier Code of Conduct. This Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business.

As regards relations with its suppliers, the Group also encourages its Group companies to develop their relations with companies that employ people with permanent or temporary severe disabilities, and provide them with special facilities and support (sometimes known as "sheltered" employment). See the "Human resources" section of the Management report of the Board of Directors (§5.3 "Employment of people with disabilities").

4.2. TRAINING AND OVERSIGHT SYSTEM

Training

The Group has adopted appropriate training tools. These training programs are defined in terms of their content and the choice of employees concerned on the basis of risk mapping (in terms of regions, activities, business line and job profile), particularly for training for managers and Group employees who are most exposed to the risk of corruption.

Within the Ethics & Compliance Intranet, an online training tool was made available to all employees in 2017 covering the principles of the LVMH Code of Conduct in order to encourage understanding and assimilation by everyone of the rules, practices and values that form a common ethical framework for the Group and Group companies worldwide.

In 2017, LVMH's Internal Control Department launched the LVMH Internal Control Academy, the main aim of which is to provide structured management for the entire network of controllers, internal auditors and officers in these areas. A three- or four-day training course – called "The Fundamentals" – was implemented in France and abroad; the entire course was designed and taught by senior internal controllers within LVMH group companies.

The Group's training efforts also include a number of programs and modules dedicated to the environment, such as safety and preventing risks at work. See the "Environment" section (§1.2 "Training") and the "Human resources" section (§7 "Health and safety") of the Management report of the Board of Directors.

As regards social responsibility, training on preventing discrimination is provided for recruiters, directors and managers. Ongoing checks of recruitment practices are in place, with discrimination tests performed by an independent firm. Because social responsibility is a vital part of any manager's job, all newly hired managers systematically receive training in CSR, its implementation and the role it plays, through their induction seminar and online induction session. See the "Human resources" section of the Management report of the Board of Directors (§2.2 "Recruitment policy").

Disclosures and oversight

Within the Ethics & Compliance Intranet, LVMH employees have access to internal documents on combating corruption and influence peddling. This includes in particular the new LVMH Code of Conduct, as well as the "Internal Guiding Principles" serving as a reference guide concerning certain specific issues relating to business ethics.

Via its Finance Intranet, LVMH makes available to all employees all rules and procedures relating to accounting and financial information applicable to each subsidiary. The Finance Intranet is also used for the dissemination of internal control principles and best practices. The "Major Risks" section of the Finance Intranet brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. This information is available to all parties involved in risk management.

In addition, on the LVMH Intranet, the Group's Legal Affairs Department provides an overview of legislation in place within the Group's principal markets, relating to the prevention of money laundering and to limitations applicable to cash payments, as well as US, European and Swiss regulations on embargoes and economic sanctions.

As regards the environment, LVMH's Environment Department is in charge of helping Group companies to pursue their own environmental policy by making useful expertise and information available to them, as well as practical tools, à la carte training and bespoke support. For example, in order to progress in the matter of materials and product compliance, LVMH has developed a forward-looking approach that aims to anticipate changes in international regulations. Its experts regularly take part in working parties of national and European authorities and keep an eye on all new regulations, as well as changes in scientific knowledge. LVMH can ban the use of certain substances in advance and work at a very early stage on reformulating certain products.

In addition, at the instigation of LVMH's Human Resources Department, Group companies are careful to implement a global approach to professional equality and combating discrimination. For example, LVMH's "Mission Handicap" initiative, established in 2007, aims to promote access to employment for people with disabilities. It is backed by a network of 35 disability correspondents and steers the Group's actions in this area by raising employee awareness and providing support for training people with disabilities.

4.3. WARNING MECHANISM, SANCTIONS AND MONITORING

Internal warning system

Any employees who are unsure of what position to take or how to interpret the principles set out in the Code of Conduct, or who are directly or indirectly confronted with failures to comply with the Code, are encouraged to first report to their line manager, their ethics and compliance officer, their human resources manager, LVMH's Ethics and Compliance Director or any other authorized person.

In addition to these usual existing communication and warning channels within the Group and Group companies, LVMH has developed a centralized internal warning system to collect and process reports from all employees concerning infringements or serious risks of infringement of laws and regulations, as well as the provisions of the LVMH Code of Conduct or other principles, guidelines and internal policies. In accordance with applicable regulations, this system ensures confidentiality insofar as possible and within the limits established in law, in particular as regards its implementation in France, under the terms set out by Unique Authorization No. AU-004 of the French National Commission for Data Protection (CNIL). No acts of repression are tolerated against anyone who has made use of this system in good faith, even if the suspicions giving rise to the alert prove to be incorrect.

Alerts handled within the framework of dedicated processes could help to enhance procedures for risk identification, as part of an ongoing improvement approach.

Disciplinary sanctions

Failure by employees to comply with the rules of the Code of Conduct, as well as specific codes, charters and internal policies, the guiding principles and more generally the Internal Rules of Procedure (or any equivalent documents) of the Group company that employs them can be considered misconduct.

Where applicable, the Group may take appropriate and opportune measures to put an end to the shortcoming observed, including any suitable disciplinary sanctions proportionate to the seriousness of the infringement observed, in accordance with the provisions of the Internal Rules of Procedure (or any equivalent document) or applicable laws and regulations.

Monitoring

A report shall be submitted each year to the Ethics and Sustainable Development Committee of the LVMH Board of Directors on implementation of the principles of the LVMH Code of Conduct.

Management report of the Board of Directors

CHRISTIAN DIOR PARENT COMPANY

1. Key event during the fiscal year

On July 3, 2017, as part of the project aimed at simplifying the structure of the Christian Dior – LVMH group and pursuant to the terms of the memorandum of understanding signed with LVMH on April 24, 2017, Christian Dior SE sold 100% of the Christian Dior Couture segment (including Grandville and its subsidiary Christian Dior Couture) to LVMH for a net amount of 6 billion euros.

As of December 31, 2017, Christian Dior directly and indirectly held 41% of the share capital and 57% of the voting rights of LVMH.

2. Results of Christian Dior SE

In 2017, the results of Christian Dior SE consisted of dividend income related to its direct and indirect investment in LVMH Moët Hennessy - Louis Vuitton SE and the exceptional capital gain on the sale of the Christian Dior Couture segment, less the Company's operating and financial expenses.

Net financial income totaled 850,588 thousand euros. It mainly consisted of dividends received from subsidiaries totaling 862,040 thousand euros, less the net interest expense totaling 12,491 thousand euros.

Net exceptional income came to 5,363,682 thousand euros, mainly due to the disposal of the Christian Dior Couture segment.

The tax expense recognized under the tax consolidation agreement totaled 27,590 thousand euros as of December 31, 2017.

Net profit was 6,163,690 thousand euros.

The proposed appropriation of the distributable profit for the fiscal year ended December 31, 2017 is as follows:

Amount available for distribution *(EUR)*

Net profit	6,163,689,660.51
Retained earnings	2,141,774,107.90
DISTRIBUTABLE EARNINGS	**8,305,463,768.41**
Proposed appropriation	
Distribution of a gross dividend of 5.00 euros per share	902,537,580.00
Retained earnings	7,402,926,188.41
TOTAL	**8,305,463,768.41**

As of December 31, 2017, the Company held 731,251 of its own shares, corresponding to an amount not available for distribution of 72.2 million euros, equivalent to the acquisition cost of the shares.

Should this appropriation be approved, the gross dividend distributed would be 5.00 euros per share.

As an interim cash dividend of 1.60 euros per share was paid on December 7, 2017, the final dividend per share is 3.40 euros; the ex-dividend date will be April 17, 2018 and the dividend will be paid as of April 19, 2018.

Under existing tax law applicable to the interim dividend and the final dividend as of January 1, 2018, individuals whose tax residence is in France and who are subject to personal income tax at a progressive rate (by right in 2017 and by electing to do so in 2018) will be entitled to the 40% tax deduction for this dividend distribution.

Lastly, should the Company hold, at the time of payment of this dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends will be allocated to retained earnings.

Distribution of dividends

As required by law, the Board of Directors observes that the gross cash dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year	Type	Payment date	Gross dividend [a] (EUR)	Tax deduction [b] (EUR)
December 31, 2016 [c]	Interim	-	-	-
	Final	April 21, 2017	1.40	0.56
	TOTAL		**1.40**	**0.56**
June 30, 2016	Interim	April 21, 2016	1.35	0.54
	Final	December 13, 2016	2.20	0.88
	TOTAL		**3.55**	**1.42**
June 30, 2015 [d]	Interim	April 23, 2015	1.25	0.50
	Final	December 15, 2015	1.95	0.78
	TOTAL		**3.20**	**1.28**

(a) Excluding the impact of tax regulations applicable to the recipients.
(b) For individuals with tax residence in France.
(c) Six-month fiscal year.
(d) Excluding the exceptional interim dividend in kind in the form of Hermès International shares paid as of December 17, 2014, corresponding to 4.20150 euros per Christian Dior share, the entire amount of which qualifies as distributed income for tax purposes.

Information relating to payment terms

In accordance with Article D.441-4 of the French Commercial Code, the following table provides a breakdown, at the balance sheet date, of the balance of trade accounts payable by payment date:

Number of days late

	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total
Total number of invoices concerned	-	-	-	3	3
Total amount of invoices concerned including taxes (*EUR*)	-	-	-	298,620	298,620
Percentage of total amount of invoices issued during the fiscal year including taxes	-	-	-	2.70%	2.70%

In addition, there were no trade accounts receivable as of December 31, 2017.

3. Share ownership of the Company

3.1. MAIN SHAREHOLDERS

Following the public offer by Semyrhamis for the Christian Dior shares that were not held by Semyrhamis or another member of the Arnault Family Group, the Arnault Family Group held 170,078,834 Christian Dior shares, representing 94.2% of the Company's share capital and 96.5% of its theoretical voting rights.

Between the closing of the public offer and December 31, 2017, Semyrhamis acquired 4,097,750 Christian Dior shares, representing 2.3% of the Company's share capital.

As of December 31, 2017, taking into account the purchases made since the public offer, the Arnault Family Group directly and indirectly controlled 96.52% of the share capital and 98.12% of the voting rights exercisable at Shareholders' Meetings, compared with 73.96% and 84.90%, respectively, as of December 31, 2016. See also §3 in the "Other information" section of the Annual Report.

3.2. SHARES HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

As of December 31, 2017, the members of the Board of Directors held directly, personally and in the form of registered shares, less than 0.27% of the share capital.

3.3. EMPLOYEE SHARE OWNERSHIP

As of December 31, 2017, employees of the Company and of affiliated companies, as defined in Article L. 225-180 of the French Commercial Code, held shares in employee savings plans equivalent to less than 0.03% of the share capital.

4. Stock option and bonus share plans

4.1. OPTIONS GRANTED BY THE PARENT COMPANY, CHRISTIAN DIOR

Option plan recipients are selected according to the following criteria: performance, development potential and contribution to a key position.

Two share purchase option plans with outstanding options remaining, set up by Christian Dior in 2008 and 2009, were in force as of December 31, 2017. The exercise price of options as of the plan's commencement date was calculated in accordance with applicable laws. As a result of the exceptional distributions in kind in the form of Hermès International shares on December 17, 2014, and in order to preserve the rights of the recipients, the exercise price and the number of options granted that had not been exercised as of December 17, 2014 were adjusted as of that date as provided by law. Each plan has a term of ten years. Provided the conditions set by the plan are met, options may be exercised after the end of a period of four years from the plan's commencement date.

For all plans, one option entitles the holder to purchase one share.

Apart from conditions relating to attendance within the Group, the exercise of options granted in 2009 was contingent on performance conditions, based on the following three indicators: profit from recurring operations, net cash from operating activities and operating investments, and the Group's current operating margin.

Options granted to senior executive officers could only be exercised if, in three of the four fiscal years from 2009 to 2012, at least one of those three indicators showed a positive change compared to 2008. The performance condition was met in 2009, 2010, 2011 and 2012.

Options granted to other recipients could only be exercised if, for fiscal years 2009 and 2010, at least one of these indicators showed a positive change compared to fiscal year 2008. The performance condition was met in 2009 and 2010.

Company officers, whether senior executives or employees, must also comply with a number of other restrictions relating to the exercise period for their options.

For plans put in place since 2007, if the Chairman of the Board of Directors and the Chief Executive Officer decide to exercise their options, they must retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares representing a sliding percentage between 50% and 30% (based on the remaining term of the plan) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date.

4.1.1. Share purchase option plans

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**01/31/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception (f)	**480,000**	**484,000**	**332,000**	**1,296,000**
o/w Company officers (a)	285,000	320,000	150,000	**755,000**
Bernard Arnault (b)	200,000	200,000	100,000	**500,000**
Delphine Arnault (b)	25,000	25,000	25,000	**75,000**
Sidney Toledano (b)	50,000	50,000	50,000	**150,000**
o/w Top ten employee recipients (c)	133,000	147,000	159,000	**439,000**
Number of recipients	28	25	26	
Earliest option exercise date	01/31/2011	05/15/2012	05/14/2013	
Expiry date	01/30/2017	05/14/2018	05/13/2019	
Exercise price (d) (*EUR*)	78.11	67.31 (e)	47.88	
Number of options exercised in 2017 (d)	228,613	9,166	21,599	**259,378**
Number of options expired in 2017 (d)	16,323	-	-	**16,323**
Total number of options exercised as of 12/31/2017 (d)	423,778	157,918	110,183	**691,879**
Total number of options expired as of 12/31/2017 (d)	82,323	32,000	45,000	**159,323**
OPTIONS OUTSTANDING AS OF FISCAL YEAR-END (d)	**-**	**323,249**	**196,729**	**519,978**

(a) Options granted to company officers serving as of the plan's commencement date.
(b) Company officers serving as of December 31, 2017.
(c) Options granted to employees – other than company officers – active as of the plan's commencement date.
(d) After adjusting for the distributions in kind of Hermès International shares on December 17, 2014.
(e) Purchase price for Italian residents after adjusting for the distributions in kind of Hermès International shares on December 17, 2014: 67.52 euros.
(f) Before adjusting for the distributions in kind of Hermès International shares on December 17, 2014.

Exercise of such options does not lead to any dilution for shareholders, since they are options to purchase existing shares.

4.1.2. Share subscription option plans

None.

4.2. OPTIONS GRANTED BY THE GROUP'S SUBSIDIARY, LVMH

4.2.1. Share purchase option plans

No share purchase option plans were in effect as of December 31, 2017.

4.2.2. Share subscription option plans

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**05/10/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception [e]	**1,679,988**	**1,698,320**	**1,301,770**	**4,680,078**
o/w Company officers [a]	805,875	766,000	541,000	**2,112,875**
o/w Top ten employee recipients [b]	311,544	346,138	327,013	**984,695**
Number of recipients	524	545	653	
Earliest option exercise date	05/10/2011	05/15/2012	05/14/2013	
Expiry date	05/09/2017	05/14/2018	05/13/2019	
Subscription price [c] (*EUR*)	77.526	65.265 [d]	50.861 [d]	
Number of options exercised in 2017 [c]	583,973	73,385	51,127	**708,485**
Number of options expired in 2017 [c]	11,749	1,111	973	**13,833**
Total number of options exercised [c]	1,656,024	981,041	850,736	**3,487,801**
Total number of options expired [c]	108,179	93,080	51,665	**252,924**
OPTIONS OUTSTANDING AS OF FISCAL YEAR-END [c]	**-**	**712,890**	**467,802**	**1,180,692**

(a) Options granted to company officers serving as of the plan's commencement date.
(b) Options granted to active employees other than company officers as of the plan's commencement date.
(c) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.
(d) Subscription price for Italian residents after adjusting for the distributions in kind of Hermès International shares on December 17, 2014: 65.445 euros for the May 15, 2008 plan and 50.879 euros for the May 14, 2009 plan.
(e) Before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

As of December 31, 2017, the potential dilutive effect resulting from the allocation of these options represents 0.23% of the LVMH share capital. However, since LVMH retires a number of shares equivalent to the number of shares issued in connection with the exercise of options, there is no dilutive effect for shareholders when the subscription options are exercised.

4.3. OPTIONS GRANTED TO AND EXERCISED DURING THE FISCAL YEAR BY THE GROUP'S TOP TEN EMPLOYEE RECIPIENTS, OTHER THAN COMPANY OFFICERS

Information on company officers can be found in §2.2.4 of the "Compensation of company officers" section of the Board of Directors' report on corporate governance.

4.3.1. Options granted

No new option plans were put in place during the fiscal year from January 1, 2017 to December 31, 2017.

4.3.2. Options exercised by the Group's top ten employee recipients, other than company officers, having exercised the largest number of options [(a)]

Company granting the options	**Date of plan**	**Number of options**	**Exercise price/ Subscription price** *(EUR)*
Christian Dior	01/31/2007	3,598	78.11
	05/15/2008	1,703	67.31
	05/14/2009	17,148	47.88
LVMH Moët Hennessy - Louis Vuitton	05/10/2007	19,473	77.526
	05/15/2008	53,339	65.265
	05/14/2009	6,944	50.861

(a) After adjusting for the distributions in kind of Hermès International shares on December 17, 2014.

4.4. ALLOCATION OF BONUS SHARES AND BONUS PERFORMANCE SHARES BY THE PARENT COMPANY, CHRISTIAN DIOR

Bonus share recipients are selected among the employees and senior executives of the Group's companies on the basis of their level of responsibility and their individual performance.

For plans set up in 2013 and 2014, shares vest if the performance condition, where applicable, is met, after a three-year period for French tax residents and are freely transferable after an additional two-year holding period. Bonus shares allocated to recipients who are not French residents for tax purposes vest after a period of four years and become freely transferable at that time.

For plans set up in 2015 and 2016, if the performance condition, where applicable, is met, shares vest after a three-year period, without any holding period, regardless of the recipient's tax residence.

The plans combine awards of bonus shares and of performance shares in proportions determined in accordance with the recipient's level in the hierarchy and status.

For the plan set up on July 25, 2013, bonus shares subject to a performance condition only vest if Christian Dior's consolidated financial statements for the calendar year during which the plan is set up (calendar year "Y") and calendar year Y+1 show a positive change compared to calendar year Y-1 in relation to at least one of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and current operating margin, hereinafter referred to as the "Indicators". The performance condition was satisfied in 2013 and 2014; shares allocated to recipients who were French residents for tax purposes were fully vested as of July 26, 2016, while those allocated to recipients who were not French residents for tax purposes were fully vested as of July 26, 2017.

For the plan set up on October 16, 2014, bonus shares subject to a performance condition only vest if Christian Dior's consolidated financial statements for calendar year 2015 show a positive change compared to calendar year 2014 in relation to at least one of the Indicators. This condition was satisfied, so shares were fully vested as of October 16, 2017 for recipients who were French residents for tax purposes.

As a result of the exceptional distributions in kind on December 17, 2014 in the form of Hermès International shares and in order to preserve the rights of the recipients, the number of shares granted to them still in their vesting period was adjusted as of December 17, 2014 as provided by law.

Lastly, for the plans set up in 2015 and 2016, bonus shares subject to a performance condition only vest if Christian Dior's consolidated financial statements for calendar years Y+1 and Y+2 show a positive change compared to calendar year Y (the year in which the plan was set up) in relation to at least one of the Indicators. For the plan set up in 2015, the performance condition was satisfied in 2016 and 2017. For the plan set up in 2016, the performance condition was satisfied in 2017.

Between 2012 and 2016, Christian Dior's fiscal year did not correspond to the calendar year. For this reason, changes in these Indicators were determined on the basis of the pro forma consolidated financial statements as of December 31 for each calendar year concerned.

If their shares vest, the Chairman of the Board of Directors and the Chief Executive Officer must retain possession, in registered form until the conclusion of their respective terms of office, of a number of shares corresponding to one half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans put in place before 2013, and on the basis of the closing share price on the day before the vesting date for plans put in place since 2013.

Vesting of such shares does not lead to any dilution for shareholders, since they are allocations of existing shares.

Date of Shareholders' Meeting	10/26/2012		10/26/2012		12/01/2015		12/01/2015		
Date of Board of Directors' meeting	**07/25/2013**		**10/16/2014**		**12/01/2015**		**12/06/2016**		
	Bonus shares	**Performance shares**	**Bonus shares**	**Performance shares**	**Bonus shares**	**Performance shares**	**Bonus shares**	**Performance shares**	**Total**
Total number of shares provisionally allocated at plan inception (e)	**6,000**	**82,521**	**6,000**	**89,185**	**5,000**	**64,511**	**5,000**	**64,851**	**323,068**
o/w Company officers (a)	-	36,694	-	39,302	-	28,585	-	26,724	**131,305**
Bernard Arnault (b)	-	19,108	-	20,466	-	14,656	-	13,702	**67,932**
Delphine Arnault (b)	-	6,095	-	6,528	-	4,675	-	4,371	**21,669**
Sidney Toledano (b)	-	11,491	-	12,308	-	9,254	-	8,651	**41,704**
o/w Top ten employee recipients (c)	6,000	24,370	6,000	27,653	5,000	18,296	5,000	18,717	**111,036**
Number of recipients	1	40	1	40	1	44	1	52	
Vesting date	07/25/2016	07/25/2016 (d)	10/16/2017	10/16/2017 (d)	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Date as of which the shares may be sold	07/25/2018	07/25/2018 (d)	10/16/2019	10/16/2019 (d)	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Unit value as of the initial grant date (e) (*EUR*)	124.76	124.76 (f)	116.48	116.48 (f)	162.66	162.66	173.99	173.99	
Performance condition	**-**	**Satisfied**	**-**	**Satisfied**	**-**	**Satisfied**	**-**	**Satisfied in 2017**	
Number of shares vested in 2017 (g)	-	7,979	6,529	86,481	-	-	-	-	**100,989**
Number of allocations expired in 2017 (g)	-	779		-	-	-	-	-	**779**
Total number of share allocations vested as of 12/31/2017 (g)	6,529	88,263	6,529	86,481	-	-	-	-	**187,802**
Total number of share allocations expired as of 12/31/2017 (g)	-	1,494		-	-	-	-	-	**1,494**
REMAINING ALLOCATIONS AS OF FISCAL YEAR-END (g)	**-**	**-**	**-**	**10,590**	**5,000**	**64,511**	**5,000**	**64,851**	**149,952**

(a) Bonus performance shares allocated to company officers serving as of the provisional allocation date.
(b) Company officers serving as of December 31, 2017.
(c) Bonus shares and bonus performance shares allocated to employees – other than company officers – active as of the provisional allocation date.
(d) Shares vest and become available on July 25, 2017 and October 16, 2018 for recipients who are not French residents for tax purposes.
(e) For pre-2015 plans, before adjusting for the distributions of Hermès International shares on December 17, 2014.
(f) Respective unit values: 120.91 euros and 112.87 euros for shares vesting on July 25, 2017 and October 16, 2018, respectively.
(g) For pre-2015 plans, after adjusting for the distributions of Hermès International shares on December 17, 2014.

4.5. ALLOCATION OF BONUS SHARES AND PERFORMANCE SHARES BY THE GROUP'S SUBSIDIARY, LVMH

Date of Shareholders' Meeting	04/18/2013	04/18/2013	04/18/2013	04/16/2015
Date of Board of Directors' meeting	**07/25/2013**	**07/24/2014**	**10/23/2014**	**04/16/2015**
	Performance shares	**Bonus shares**	**Performance shares**	**Performance shares**
Total number of shares provisionally allocated at plan inception [f]	397,406	61,000	307,548	73,262
o/w Company officers [a]	78,572	-	19,235	41,808
o/w Top ten employee recipients [b]	69,606	61,000	36,280	31,454
Number of recipients	748	2	772	14
Vesting date	07/25/2016 [c]	07/24/2017 [c]	10/23/2017 [c]	04/16/2018 [c]
Date as of which the shares may be sold	07/25/2018 [c]	07/24/2019 [c]	10/23/2019 [c]	04/16/2020 [c]
Unit value as of the initial grant date *(EUR)* [f]	117.51 [g]	126.61 [g]	114.62 [g]	157.41 [g]
Performance condition	**Satisfied**	**-**	**Satisfied**	**Satisfied**
Number of shares vested in 2017 [i]	181,168	6,666	147,598	-
Number of allocations expired in 2017 [i]	6,938	-	14,085	-
Total number of share allocations vested as of 12/31/2017 [i]	395,432	6,666	147,598	-
Total number of share allocations expired as of 12/31/2017 [i]	44,604	-	42,732	-
REMAINING ALLOCATIONS AS OF FISCAL YEAR-END [i]	**-**	**61,098**	**151,348**	**73,262**

(a) Bonus performance shares allocated to company officers serving as of the provisional allocation date.
(b) Bonus shares and performance shares allocated to employees – other than LVMH company officers – active as of the provisional allocation date.
(c) Shares vest and become available on July 25, 2017; July 24, 2018; October 23, 2018; April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes.

04/16/2015	04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/14/2016	
10/22/2015	**10/20/2016**	**10/20/2016**	**04/13/2017**	**07/26/2017**	**10/25/2017**	**10/25/2017**	
Performance shares	**Bonus shares**	**Performance shares**	**Performance shares**	**Performance shares**	**Bonus shares**	**Performance shares**	**Total**
315,532	50,010	310,509	46,860	43,400	18,502	346,490	**1,970,519**
46,990	-	43,462	-	-	-	43,549	**273,616**
61,858	50,010	57,734	46,860	43,400	18,502	120,378	**597,082**
740	2	740	1	1	2	851	
10/22/2018 (c)	10/20/2019	10/20/2019	04/13/2018	06/30/2020 (d)	10/25/2020	10/25/2020 (e)	
10/22/2020 (c)	10/20/2019	10/20/2019	04/13/2020	06/30/2020 (d)	10/25/2020	10/25/2020 (e)	
144.11 (g)	155.10	155.10	195.66	205.06 (h)	227.01	227.01 (h)	
Satisfied	**-**	**Satisfied in 2017**	**Satisfied in 2017**	**Not applicable in 2017**	**-**	**Not applicable in 2017**	
70	-	65	-	-	-	-	**335,567**
10,008	-	5,890	-	-	-	-	**36,921**
70	-	65	-	-	-	-	**549,831**
15,635	-	5,890	-	-	-	-	**108,861**
299,827	**50,010**	**304,554**	**46,860**	**43,400**	**18,502**	**346,490**	**1,395,351**

(d) Shares vest and become available in two tranches of 21,700 shares, with shares from the second tranche vesting on June 30, 2021.
(e) Shares vest and become available on June 30, 2024 or, where applicable, June 30, 2023 for shares subject to a condition specifically related to the performance of a subsidiary.
(f) For pre-2015 plans, before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.
(g) Respective unit values: 115.78, 125.21, 113.14, 156.62 and 142.91 euros for shares vesting on July 25, 2017; July 24, 2018; October 23, 2018; April 16, 2019 and October 22, 2019, respectively.
(h) Respective unit values: 199.83 and 210.29 euros for shares vesting on June 30, 2021 and June 30, 2024, respectively.
(i) For pre-2015 plans, after adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

4.6. BONUS SHARES AND BONUS PERFORMANCE SHARES ALLOCATED DURING THE FISCAL YEAR TO THE GROUP'S TOP TEN EMPLOYEE RECIPIENTS (a), OTHER THAN COMPANY OFFICERS, HAVING RECEIVED THE LARGEST NUMBER OF SHARES (b)

4.6.1. Shares provisionally allocated to the Group's top ten employee recipients, other than company officers, having received the largest number of shares

See §4.4 and §4.5 above.

4.6.2. Bonus shares and performance shares vested to the Group's top ten employee recipients, other than company officers

Company granting the shares	Initial allocation date of the shares	Number of bonus shares	Number of performance shares
Christian Dior	07/25/2013	-	7,979
	10/16/2014	6,529	32,143
LVMH Moët Hennessy - Louis Vuitton	07/25/2013	-	44,419
	07/24/2014	6,666	-
	10/23/2014	-	15,819

(a) Employees active as of the vesting date.
(b) After adjusting for the distributions of Hermès International shares on December 17, 2014.

Information on company officers can be found in §2.2.5 of the Board of Directors' report on corporate governance.

5. Summary of transactions in Christian Dior securities during the 2017 fiscal year by senior executives and closely related persons

A summary of transactions in Christian Dior securities made by senior executive officers and closely related persons during the 2017 fiscal year is provided in §3 of the Board of Directors' report on corporate governance.

6. Transactions undertaken by the Company in its own shares

6.1. SHARE REPURCHASE PROGRAMS

6.1.1. Information on share repurchase programs

The purpose of this subsection is to inform the Shareholders' Meeting of the purchase transactions in treasury shares that were carried out by the Company in the fiscal year ended December 31, 2017, as part of the share repurchase program authorized by the Combined Shareholders' Meeting held on December 6, 2016.

The Company did not purchase or sell any shares.

(number of shares unless otherwise stated)	Liquidity contract	Coverage of plans	Coverage of securities giving access to Company shares	Exchange or payment in connection with acquisitions	Shares pending retirement	Total
Balance as of January 1, 2017		**328,241**	**-**	**-**	**-**	**328,241**
Purchases	-	-	-	-	-	-
Average price (*EUR*)	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Average price (*EUR*)	-	-	-	-	-	-
Share purchase options exercised	-	(4,762)	-	-	-	(4,762)
Average price (*EUR*)	-	-	-	-	-	-
Call options exercised	-	-	-	-	-	-
Average price (*EUR*)	-	-	-	-	-	-
Bonus share awards	-	(70,981)	-	-	-	(70,981)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	-	-	-	-	-
Balance as of December 31, 2017	**-**	**252,498**	**-**	**-**	**-**	**252,498**

6.1.2. Description of the main characteristics of the share repurchase program presented for approval at the Combined Shareholders' Meeting of April 12, 2018

- Securities concerned: shares issued by Christian Dior.
- Maximum proportion of the capital that may be purchased by the Company: 10%.
- Maximum number of its own shares that may be acquired by the Company, based on the number of shares making up the share capital as of December 31, 2017: 18,050,751 shares, but taking into account the 731,251 shares held as treasury shares as of December 31, 2017, only 17,319,500 treasury shares are available to be acquired (i.e. 9.59% of the share capital).
- Maximum price per share: 450 euros, with the understanding that the Company may not purchase shares at a price greater than the higher of the following two values: the last quoted share price resulting from the execution of a transaction in which the Company was not a stakeholder, or the highest current independent purchase offer on the trading platform where the purchase is to take place.
- Objectives:

  Shares may be acquired to meet any objective compatible with provisions in force at the time, and in particular to:

  - buy or sell the Company's shares by enlisting the services of an independent investment services provider under a liquidity contract in line with the Code of Conduct of AMAFI (the French association of financial market professionals),
  - buy shares to cover stock option plans, awards of bonus shares or of any other shares, or share-based payment plans for employees or company officers of Christian Dior or of any related undertaking under the conditions provided by Articles L. 225-180 and L. 225-197-2 of the French Commercial Code,
  - buy shares to cover debt securities that may be exchanged for Company shares, and more generally securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange,
  - be retired subject to the approval of the fourteenth resolution,
  - buy shares to be held and later presented for consideration as an exchange or payment in connection with external growth operations, up to a maximum of 5% of the share capital,
  - more generally, carry out any permitted transactions or any transaction that would be authorized in future under regulations in force at that time, or that would involve an already accepted market practice or one that would come to be accepted by the AMF.
- Program duration: 18 months as of the Combined Shareholders' Meeting of April 12, 2018.

6.1.3. Summary table disclosing transactions undertaken by the issuer in its own shares from January 1 to December 31, 2017

The table below, prepared in accordance with the provisions of AMF Instruction 2005-06 of February 22, 2005, issued pursuant to the AMF's General Regulation, summarizes transactions undertaken by the Company in its own shares from January 1 to December 31, 2017:

As of December 31, 2017	
Percentage of own share capital held directly or indirectly	0.14% [(a)]
Number of shares retired in the last 24 months	None
Number of shares held in the portfolio	252,498
Book value of the portfolio (*EUR*)	42,659,953
Market value of the portfolio (*EUR*)	76,898,266

(a) Not taking into account shares acquired prior to the implementation of the share repurchase programs (§6.2 below).

	Cumulative gross transactions		Open positions at December 31, 2017			
			Open "buy" positions		Open "sell" positions	
	Purchases	Sales/ Transfers	Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	-	-	-	-	-	-
Of which:						
- liquidity contract	-	-	-	-	-	-
- purchases to cover plans	-	-	-	-	-	-
- purchase options exercised	-	-	-	-	-	-
- call options exercised	-	-	-	-	-	-
- bonus share awards	-	-	-	-	-	-
- purchases of shares to be retired	-	-	-	-	-	-
- shares retired	-	-	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average trading price [(a)] (*EUR*)	-	-	-	-	-	-
Average exercise price (*EUR*)	-	-	-	-	-	-
Amounts [(a)] (*EUR*)	-	-	-	-	-	-

(a) Excluding bonus share allocations and share retirements.

6.2. OTHER INFORMATION

Pursuant to Article L. 225-211 of the French Commercial Code, it is specifically stated that:

- the Company did not purchase or sell any shares during the fiscal year ended December 31, 2017;
- at the fiscal year-end, the number of shares allocated to cover current or future share purchase option plans and bonus share plans totaled 731,251 shares with a net value of 72,217,415.23 euros. They were purchased at an average price of 98.76 euros. Their par value is 2 euros. These shares represent 0.41% of the share capital;
- under the terms described in Article L. 225-208 of the French Commercial Code, during the fiscal year, 254,616 share options were exercised and 30,008 bonus shares were vested;
- under the terms described in Article L. 225-209 of the French Commercial Code, as part of share repurchase program authorized by the Combined Shareholders' Meeting of December 6, 2016, this information is provided in §6.1 above.

In accordance with legal requirements, all of these shares are stripped of their voting rights.

Management report of the Board of Directors

HUMAN RESOURCES

1. Note on methodology

It should be noted that the Group does not employ any staff outside of LVMH and its subsidiaries.

As such, the following report on human resources exclusively concerns the staff of LVMH and its subsidiaries.

Since 2010, all staff members involved in LVMH's reporting on employee-related issues have had access to a training kit. Its aim is to familiarize users with the objectives of reporting on employee-related issues, and deepen understanding of key indicators and the calculation methodology used. Control procedures have also been reinforced within each organizational entity. To ensure the quality of the data reported, Group companies' Directors of Human Resources appoint a reporter for each company under their responsibility, who is in charge of collecting and declaring all employee-related data, as well as a reviewer who is responsible for checking the data declared by the reporter and certifying that it is accurate by providing an electronic signature during the validation phase of the questionnaire completed online. Following these two preliminary validation stages, the Group company's Director of Human Resources – the supervisor – provides his or her final validation by signing a letter of representation.

The reconciliation of organizational and legal entities ensures consistency between the workforce and financial reporting systems. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully consolidated Group companies, but does not include equity-accounted associates.

A descriptive sheet is available for each employee-related indicator specifying its relevance, the elements of information tracked, the procedure to be applied to gather information, and the various controls to be performed when entering data. Furthermore, computer checks are implemented throughout the reporting cycle to confirm the reliability and consistency of the data entered.

Workforce information set out below includes all consolidated companies as of December 31, 2017, including Christian Dior Couture and LVMH's share in joint ventures, with the exception of certain companies that have been part of the Group for less than a year. Other employee-related indicators were calculated for a scope of 705 organizational entities covering more than 99% of the global workforce and encompass all staff employed during the fiscal year, including those employed by joint ventures.

Since fiscal year 2007, selected employee-related disclosures for the Group have been verified each year by one of the Statutory Auditors. For fiscal year 2017, company data was verified by Ernst & Young, in accordance with Article R. 225-105-2 of the French Commercial Code. Its findings are expressed in the statement of opinion included at the end of the Workforce, Environmental and Social report.

Group companies provide an overview of their corporate social responsibility initiatives in a yearly Corporate Social Responsibility (CSR) reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues: human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and local community engagement. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

The Group's employees in China are included in the number of staff working under permanent contracts (11,962 as of December 31, 2017). Although Chinese law limits the duration of employment contracts, which become permanent only after several years, the Christian Dior group considers employees working under such contracts as permanent, given the nature of Chinese labor law.

2. Breakdown and development of the workforce

2.1. BREAKDOWN OF THE WORKFORCE

Total headcount as of December 31, 2017 stood at 145,247 employees, an increase of 8% compared with 2016. Of this total, 129,366 employees were working under permanent contracts and 15,880 under fixed-term contracts. Part-time employees represented 19% of the total workforce, or 27,875 individuals. Staff outside France represented 80% of the worldwide workforce.

The Group's average total Full Time Equivalent (FTE) workforce in 2017 comprised 128,637 employees, up 10% compared with 2016.

The following tables show the breakdown of the workforce by business group, geographic region and professional category:

Breakdown by business group

Total headcount as of December 31 [a]	2017	%	2016	%
Wines and Spirits	7,157	5	6,938	5
Fashion and Leather Goods	41,212 [b]	28	32,887	24
Perfumes and Cosmetics	26,699	18	24,170	18
Watches and Jewelry	8,100	6	7,937	6
Selective Retailing	57,360	40	57,428	43
Other activities	4,719	3	5,116	4
TOTAL	**145,247**	**100**	**134,476**	**100**

(a) Total permanent and fixed-term headcount.
(b) The increased headcount in the Fashion and Leather Goods business group is explained by the integration of Christian Dior Couture.

Breakdown by geographic region

Total headcount as of December 31 [a]	2017	%	2016	%
France	29,578	20	26,970	20
Europe (excluding France)	34,159	24	30,803	23
United States	32,717	23	32,265	24
Japan	6,397	4	5,991	4
Asia (excluding Japan)	31,102	21	27,835	21
Other markets	11,294	8	10,612	8
TOTAL	**145,247**	**100**	**134,476**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by professional category

Total headcount as of December 31 [a]	2017	%	2016	%
Executives and managers	26,631	18	23,279	17
Technicians and supervisors	14,009	10	12,823	10
Administrative and sales employees	86,742	60	81,632	61
Production workers	17,865	12	16,742	12
TOTAL	**145,247**	**100**	**134,476**	**100**

(a) Total permanent and fixed-term headcount.

Average age and breakdown by age

The average age of the worldwide workforce employed under permanent contracts is 36 years and the median age is 33 years. The youngest age ranges are found among sales staff, mainly in Asia, the United States and Other markets.

(as %)		Global workforce	France	Europe [(a)]	United States	Japan	Asia [(b)]	Other markets
Age:	Under 25	12.3	6.1	7.5	20.3	3.6	13.2	24.3
	25-29	20.4	15.7	16.0	23.0	11.7	27.7	23.6
	30-34	19.3	15.4	18.4	17.0	19.7	25.5	19.8
	35-39	14.9	14.2	16.6	11.5	23.0	15.7	13.8
	40-44	11.0	13.0	14.5	7.7	21.0	7.4	8.1
	45-49	8.6	12.1	11.7	6.6	11.9	4.5	4.8
	50-54	6.5	11.0	8.0	5.4	5.9	3.1	3.0
	55-59	4.5	8.7	5.0	4.2	3.1	1.8	1.6
	60 and up	2.5	3.8	2.3	4.3	0.1	1.1	1.0
		100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE AGE		**36**	**40**	**38**	**35**	**38**	**33**	**33**

(a) Excluding France.
(b) Excluding Japan.

Average length of service and breakdown by length of service

The average length of service within the Group is 10 years in France and ranges from 4 to 8 years in other geographical regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate of turnover. It is also the result of recent expansion by Group companies into high-growth markets, where employment is more fluid.

(as %)	Global workforce	France	Europe [(a)]	United States	Japan	Asia [(b)]	Other markets
Length of service: Less than 5 years	58.3	40.1	48.6	71.9	44.1	68.8	77.6
5-9 years	19.6	21.8	23.3	16.2	20.6	19.8	13.8
10-14 years	9.7	12.2	13.7	6.9	19.1	5.9	4.5
15-19 years	6.0	11.6	8.0	2.9	10.2	2.1	2.2
20-24 years	2.6	4.9	3.3	1.0	3.3	1.7	0.9
25-29	2.0	5.1	1.7	0.6	2.1	1.0	0.4
30 years and up	1.8	5.3	1.4	0.5	0.6	0.7	0.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE LENGTH OF SERVICE	**7**	**10**	**7**	**5**	**8**	**5**	**4**

(a) Excluding France.
(b) Excluding Japan.

2.2. RECRUITMENT POLICY: ATTRACTING A DIVERSE ARRAY OF TALENT

The Group and its companies aim to attract, recruit and develop the most talented individuals, whatever their level of seniority. The Group's diverse ecosystem offers unique career opportunities to all staff, thus ensuring that it is highly attractive as an employer. Because the Group sees diversity as a strength, it is committed to recruiting without discriminating on the basis of age, gender, opinion or any other personal characteristics.

At the center of the Group's actions is a strong conviction: people make the difference. To support this vision, recruiting the best talent is the key strategic pillar of the Group's HR policy, ensuring that it secures the "future of the Group's traditions". To this end, to boost collaborative working, LVMH has set up an internal network of 800 recruiters coordinated via forums and committees, with the aim of maximizing efficiency and knowledge of the market.

In a highly competitive environment, it is vital to be able to attract passionate, high-performing individuals who are committed to achieving excellence. For this reason, the LVMH group has put in place various initiatives, including the "Inside LVMH" program. The aim of this program, designed with a cooperative mindset bringing together schools and universities, students and LVMH, is to give students and interns within the Group a better grasp of how the luxury industry works and how diverse the Group's businesses are. The program consists of a four-month immersion in the Group via a team project and access to video training content delivered by managers from 22 Group companies and professors appointed to LVMH Chairs. This video content covers the Group's five areas of expertise: creation and design, brand management, client excellence, manufacturing and supply chain, CSR/digital and entrepreneurship. The program's online platform was launched in December 2017 to allow students to enroll, and the program began in January 2018. For this first year, the program is open to over 50 schools in six European countries. By taking part in the "Inside LVMH" program and immersing themselves in the Group, students also have the opportunity to become one of the 7,200 interns and young graduates hired by Group companies every year.

In 2017, the Group also deepened its strong ties with schools and universities through more than 250 face-to-face events at academic institutions to help students understand the Group's ecosystem. These talks support the Group's strong commitment to the student world since 1991, covering its five areas of expertise, notably illustrated by eleven Chair-type partnerships. These partnerships include funding professors' research topics, providing training to students, paying tuition and covering research project costs.

In addition to these programs, LVMH has also developed new digital tools to reach a wider audience not limited to students, thereby streamlining the job application experience and encouraging a diverse pool of candidates to apply. Examples of this proactive, innovative approach include the Group's strong partnership with LinkedIn as regards the approach to searching for candidates, digitization of résumés at face-to-face events, and pre-recorded video interviews.

Alongside these Group-wide initiatives, several Group companies – such as Sephora, Parfums Christian Dior, Louis Vuitton and Guerlain – regularly launch their own employer communication campaigns in order to attract the best candidates.

LVMH's determination to give itself and its Group companies the means to reinforce its image as an employer of choice is widely recognized. Thanks to actions undertaken by all Group companies, LVMH was recognized by LinkedIn as France's most attractive employer for the second year running, and ranked eighth in the world in 2017. The Group is also popular with business school students in France, who ranked LVMH first among preferred employers for the twelfth consecutive year in the Universum poll.

The LVMH Recruitment Code of Conduct has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at the Christian Dior group in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. It is backed by the rollout within the Group of the "Recruitment without Discrimination" training program. Since 2011, this training program has been mandatory for all human resource managers involved in recruiting. Specific training sessions have gradually been rolled out on a country-by-country basis to ensure the Group's practices are in line with domestic legislation. To verify this system's effectiveness, since 2008 the Group has organized ongoing checks of its hiring practices by having an independent firm carry out discrimination tests, based on its published job offers. The latest such campaign was worldwide in scope. Campaigns to test for discrimination help monitor compliance with the Group's commitments, encourage vigilance among recruiters and managers, and manage the system for preventing discrimination in recruitment.

2.3. MOVEMENTS DURING THE YEAR: JOINERS, LEAVERS AND INTERNAL MOBILITY

In 2017, 33,191 individuals were hired under permanent contracts, including 4,411 in France. A total of 8,341 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end-of-year holiday season and the harvest season, are two main reasons for using fixed-term contracts.

In 2017, a total of 29,640 employees working under permanent contracts left Group companies (for any reason); of these, 49% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignation (72%) and individual dismissal (13%).

The overall turnover rate was higher than in 2016 and showed marked differences between geographical regions: the highest rates were recorded in North America, Asia and Other markets, where labor markets are more fluid.

Turnover by geographic region

(as %)	2017	France	Europe [d]	United States	Japan	Asia [e]	Other markets	2016
Total turnover [a]	**22.7**	**12.5**	**16.5**	**34.1**	**11.0**	**28.0**	**30.3**	**20.5**
Of which:								
Voluntary turnover [b]	16.4	5.2	11.7	29.2	10.1	19.1	23.7	15.2
Involuntary turnover [c]	5.8	6.1	4.5	4.6	0.8	8.6	6.4	4.8

(a) All reasons.
(b) Resignations.
(c) Dismissals/end of trial period.
(d) Excluding France.
(e) Excluding Japan.

Breakdown of movements [a] of employees working under permanent contracts by business group and geographic region

	Joiners		Leavers	
Workforce *(number)*	**2017**	**2016**	**2017**	**2016**
Wines and Spirits	854	778	724	632
Fashion and Leather Goods	8,509	5,965	6,884	5,300
Perfumes and Cosmetics	6,895	6,314	5,458	5,239
Watches and Jewelry	1,356	1,256	1,187	1,110
Selective Retailing	14,782	18,113	14,566	11,705
Other activities	795	1,051	821	799
TOTAL	**33,191**	**33,477**	**29,640**	**24,785**
France	4,411	4,000	3,516	2,953
Europe (excluding France)	6,403	5,767	4,996	4,071
United States	7,922	11,038	8,837	7,566
Japan	881	729	641	524
Asia (excluding Japan)	9,630	7,663	8,378	6,962
Other markets	3,944	4,280	3,272	2,709
TOTAL	**33,191**	**33,477**	**29,640**	**24,785**

(a) Under permanent contracts, including conversions of fixed-term contracts to permanent contracts and excluding internal mobility within the Group.

The Christian Dior group's human resources department prides itself on offering a wealth of career development options and international opportunities. Thanks to its size, the diversity of Group companies and business lines, its international scope, continuous growth and the advent of digital, the Group's ecosystem offers a wide range of rewarding and varied career opportunities for employees at every level of the organization. Mobility between functions and/or geographical regions helps develop the Group's talent, enhance employees' skills and, where applicable, broaden their responsibilities. Lastly, employee transfers between Group companies help spread best practice and expertise and establish professional networks within the organization's various business groups.

While each employee is the main stakeholder in his/her own professional development, the Group seeks to help all staff fulfil their career aspirations and creates conditions conducive to job mobility. To do so, it relies on the Group's committed, highly organized and collaborative HR community and on tried and tested processes. These include 40 talent reviews at Group level, informed in turn by talent reviews within individual Group companies, as well as the 50 mobility committees that met in 2017, spanning the entire Group ecosystem. Annual appraisals, backed by career development interviews undertaken by HR, also fuel the Group's momentum in this area. Lastly, increasingly digital tools and information systems facilitate talent management and give employees greater independence in managing their careers.

The Group's dedicated talent management tool, LVMHtalent, allows the HR function to have an accurate understanding of employees' career paths, aspirations and training wishes. This online platform also enables HR to assess and monitor performance, identify internal candidates and be proactive in suggesting opportunities. Lastly, this system connects employees across the Group, acting as a company-wide digital collaborative tool, and even more so as a useful career management platform.

Through Move, the platform for posting jobs on the Group Intranet (Voices), the Group posted 4,000 offers of permanent jobs available at Group companies worldwide in 2017, allowing employees to apply and take charge of their career development.

Thanks to this dynamic global approach to job mobility, 56% of vacant management positions in 2017 were filled by internal candidates, representing almost 3,600 job moves across the Group's population of managers.

The annual talent review, conducted within Group companies and an established part of the Group's practices since 2007, once again bore fruit in 2017. Thanks to work to identify key employees, manage a pool of over 1,000 talented individuals of 45 different nationalities, 47% of them women, and activate succession plans, 76% of senior executive positions were filled by promoting talented individuals internally.

3. Work time

3.1. ORGANIZATION OF WORKING TIME

Worldwide, 13% of employees benefit from variable or adjusted working hours and 49% work as a team or alternate their working hours.

Global workforce affected by various forms of working time adjustments: breakdown by geographical region

Employees concerned [(a)] *(as %)*	**Global workforce**	**France**	**Europe** [(b)]	**United States**	**Japan**	**Asia** [(c)]	**Other markets**
Variable/adjusted schedules	13	30	17	1	14	5	5
Part-time	19	14	18	40	4	5	23
Teamwork or alternating hours	49	10	32	78	81	69	61

(a) Percentages are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) in France. For the other regions, they are calculated in relation to the number of employees under permanent contracts, except for part-time workers, for whom percentages are calculated with respect to the total headcount.
(b) Excluding France.
(c) Excluding Japan.

Workforce in France affected by various forms of working time adjustment: breakdown by professional category

Employees concerned [(a)] *(as %)*	**Workforce France**	**Executives and managers**	**Technicians and supervisors**	**Administrative and sales employees**	**Production workers**
Variable/adjusted schedules	30	17	50	57	2
Part-time	14	2	6	19	27
Teamwork or alternating hours	10	0	9	3	29
Employees benefiting from time off in lieu	10	0	11	20	9

(a) Percentages are calculated in relation to the total number of employees under permanent and fixed-term contracts.

3.2. OVERTIME

The cost of total overtime hours was 97 million euros, averaging 1.7% of the worldwide payroll.

Overtime by region

(as % of total payroll)	**Global workforce**	**France**	**Europe** [(a)]	**United States**	**Japan**	**Asia** [(b)]	**Other markets**
Overtime	1.7	1.7	1.7	1.3	3.8	1.8	1.3

(a) Excluding France.
(b) Excluding Japan.

3.3. ABSENCE RATE

The Group's worldwide absence rate for employees working under permanent and fixed-term contracts was 5.0%. This absence rate was lower than the previous year (5.1% in 2016), partly as a result of a decline in paid absence (0.3%, compared with 0.4% in 2016). The overall absence rate at entities in France and the rest of Europe was two to three times higher than in other geographic regions.

Absence rate [(a)] by region and by reason

(as %)	**Global workforce**	**France**	**Europe** [(b)]	**United States**	**Japan**	**Asia** [(c)]	**Other markets**
Illness	2.4	4.2	3.2	1.3	0.4	1.7	1.5
Work/commuting accidents	0.2	0.5	0.1	0.1	0.0	0.0	0.1
Maternity leave	1.6	1.3	2.9	0.7	1.3	1.4	1.2
Paid absences (family events)	0.3	0.3	0.4	0.2	0.3	0.4	0.6
Unpaid absences	0.5	1.0	0.2	0.3	0.5	0.4	0.2
OVERALL ABSENCE RATE	**5.0**	**7.3**	**6.9**	**2.6**	**2.6**	**3.9**	**3.6**

(a) Number of days absent divided by the theoretical number of days worked.
(b) Excluding France.
(c) Excluding Japan.

4. Compensation

Christian Dior group companies offer compensation packages that are competitively positioned with respect to the market in order to attract and motivate talented staff. Salary surveys that take into account the specific characteristics of business lines and sectors are carried out annually and at international level, to ensure that this strong positioning is maintained.

Variable components of compensation, based on the financial performance of their employing company and achievement of individual targets, ensure that performance is fairly rewarded.

Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same professional category.

4.1. AVERAGE COMPENSATION

The table below shows the average monthly gross compensation paid to Group employees in France under full-time permanent contracts who were employed throughout the year:

Employees concerned *(as %)*	**2017**	**2016**
Less than 1,500 euros	1.6	1.6
1,501 to 2,250 euros	19.5	22.4
2,251 to 3,000 euros	21.5	22.6
Over 3,000 euros	57.4	53.4
TOTAL	**100**	**100**

4.2. PERSONNEL COSTS

Worldwide personnel costs break down as follows:

(EUR millions)	**2017**	**2016**
Gross payroll – Fixed-term or permanent contracts	5,746.6	4,886.3
Employers' social security contributions	1,412.6	1,275.7
Temporary staffing costs	287.6	246.4
TOTAL PERSONNEL COSTS	**7,446.9**	**6,408.4**

Outsourcing and temporary staffing costs decreased year over year, accounting for 6.6% of the total worldwide payroll (versus 6.8% in 2016), including employer's social security contributions.

4.3. PROFIT-SHARING, INCENTIVE AND COMPANY SAVINGS PLANS

All companies in France with at least 50 employees have a profit-sharing, incentive or company savings plan. These plans accounted for a total expense of 244.9 million euros in 2017, paid in respect of 2016, an increase compared to the previous year.

The table below shows the amounts paid during the periods concerned.

(EUR millions)	2017	2016
Profit sharing	118.2	100.4
Incentive	102.7	94.0
Employer's contribution to company savings plans	24.0	21.0
TOTAL	**244.9**	**215.4**

5. Social responsibility

Since 2003, the LVMH group has shown its support for universal values as a signatory of the United Nations Global Compact. It is committed to aligning its operations and its strategy with ten principles related to human rights, international working standards, respect for the environment and the fight against corruption. The Group also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization's Fundamental Conventions, the United Nations' Women's Empowerment Principles, and the French Diversity Charter.

LVMH has identified four social responsibility priorities applicable for its companies worldwide. These priorities have been identified based on discussion and interaction with its various stakeholders and an analysis of the challenges facing the Group. These are as follows: developing talent and skills, paying constant attention to working conditions, preventing all forms of discrimination and respecting each person as a unique individual, and engaging with communities to help local populations. These Group priorities are also shared attributes among all Group companies. They provide those companies and entities with an overall framework for action, leaving them free to identify other priorities specific to their business and environment, and to draw up their own action plans. Group companies implement their social responsibility initiatives independently and in coordination with the Group, in accordance with their business, their own human and societal issues and their local contexts.

Group companies provide an overview of their approach in a yearly CSR reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues: human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and local community engagement. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

At Group level, strategic priorities are pursued through regular dialogue between the Social Development Department and CSR correspondents at Group companies, who are connected through the CSR network. At Group company level, the Human Resources Department is responsible for managing the CSR approach. The HR Director appoints a CSR correspondent who liaises with the Group, manages initiatives at the Group company level, ensures that the Group company's actions are consistent with Group policy and handles its CSR reporting.

Two or three times a year, the members of the CSR network meet to review the year ended based on the CSR reporting survey, set shared priorities for the current year, look for ways to collaborate with each other, share their best practices and meet with stakeholders. In 2017, the CSR network met in Paris on March 22, July 13 and October 31.

Employees are made aware and kept informed of CSR issues via the Group's website, the Voices Intranet and social media. Because social responsibility is a vital part of any manager's job, all new managers receive training on arrival in CSR, its implementation and the role it plays, through either their induction seminar or the online induction session.

Lastly, every year since 2013, LVMH has invited Group companies to celebrate the Group's commitment to its people and society at the "Dîner des Maisons Engagées" (Engaged Maisons Dinner). This event – which is organized by the Human Resources Department, led by the LVMH group's Director of Human Resources and Synergies Chantal Gaemperle, and attended by LVMH's Group Managing Director Antonio Belloni – brings together stakeholders in social responsibility, internal champions and external partners of Group companies and the Group as a whole. On December 13, 2017, the dinner was held at the Fondation Louis Vuitton and attended by more than 350 people, including five Executive Committee members and 14 company Presidents, as well as numerous partners, opinion leaders, and heads of NGOs and other non-profit organizations.

5.1. GENDER EQUALITY

Gender equality is an integral part of the Christian Dior group's corporate culture. Women account for around three-quarters (73%) of staff working under permanent contracts. This strong female presence is an essential characteristic of the Group. Women are particularly prominent in Selective Retailing (83% women), Perfumes and Cosmetics (83% women), and Fashion and Leather Goods (68% women). Conversely, men make up the majority of staff in Wines and Spirits, representing 63% of this business group's workforce. In 2017, 65% of executives and managers were women.

In 2017, to mark the tenth anniversary of the EllesVMH initiative, launched in 2007 by Chantal Gaemperle, the Group reviewed its commitment. Between 2007 and 2017, the proportion of women holding key positions within the Group rose from 23% to 40%. This progress inspired the Group to set a new target: to achieve parity for key positions by 2020, summed up by the slogan "50/50 by 2020". The EllesVMH initiative continues to develop existing projects, such as EllesVMH Coaching and the EllesVMH Connect training, as well as introducing new initiatives to help achieve this target.

To mark International Women's Day on March 8, 2017, the LVMH group organized an exceptional event on the theme "Inspire to Action". A competition aimed at recognizing Group companies' best initiatives to encourage gender diversity was launched under the name "EllesVMH Awards". This event consisted of two stages.

First, Chantal Gaemperle invited all Paris-based employees to an exhibition showcasing 24 of the 36 initiatives implemented by Group companies. A total of 600 employees registered to attend the exhibition, which was held at the Group's premises at 22 avenue Montaigne and included panel discussions.

Secondly, an awards ceremony was held, where guest speaker neurologist Catherine Vidal of the Institut Pasteur dispelled biases about neurological differences between men and women. A panel discussion between three women who are making a difference to their environment highlighted new ways of thinking about the subject: Sarah Ourahmoune, runner-up in boxing at the Rio Olympics; Gimena Diaz, Executive Director of Strategy and Fundraising, and board member of the UN Women National Committee in France; and Morin Oluwole, Luxury Vertical Lead for Facebook and Instagram. The speakers shared their vision for women today by looking back at their careers, successes and convictions. Ten selected initiatives were then presented on stage in front of 280 staff and a judging panel made up of Group executives. Two of these initiatives were awarded prizes by Chantal Gaemperle, accompanied by Olympic fencing champion Laura Flessel-Colovic. Loro Piana received the Jury Prize for its "Going Beyond Stereotypes" initiative, and Moët & Chandon received the Audience Prize for its "Opening New Trades to Women" initiative.

The day was also marked by a number of regional events. In the United States, 80 people were invited to a workshop aimed at identifying obstacles to the "50/50 by 2020" target in the region, which ended with a networking event. In Japan, 4,000 staff working in 510 Group stores heard a message about commitment, and sharing and discussion sessions were organized based around local initiatives. In the Asia-Pacific region, 500 people took part in one of four events held in Hong Kong, Shanghai, Singapore and Sydney. The main aim of these events was to raise awareness and open up a dialogue about men's involvement in the issue of gender equality. In all, 1,500 Group employees took part in the day in one form or another.

New initiatives were also kicked off in 2017, such as the creation of a new EllesVMH network in Switzerland. All representatives meet every two months to discuss their projects, and also with a view to organizing more global and inter-company events. Meanwhile, in the United States, three roadshows were held in New York and Las Vegas, involving 110 participants and 15 Group companies. These roadshows brought together staff from different Group companies to foster discussion and generate ideas on how best to achieve the "50/50 by 2020" target. Six other events were organized by smaller groups, allowing around a hundred staff to freely discuss more targeted topics.

These new projects are set to be extended and developed, and all local networks and Group companies have high ambitions for 2018. This is encouraging for the development of the EllesVMH strategy and its 2020 targets. New appointments in 2017 saw more women get access to more jobs, with nine Group companies now led by women: Acqua di Parma, Céline, Fresh, Kenzo, Krug, Loewe, Make Up For Ever, Nicholas Kirkwood and Starboard Cruise Services.

Proportion of female employees among joiners [a] and in the Group's active workforce

	Joiners		Group employees	
(% women)	2017	2016	2017	2016
Breakdown by business group				
Wines and Spirits	43	46	37	37
Fashion and Leather Goods	65	66	68	70
Perfumes and Cosmetics	85	86	83	83
Watches and Jewelry	60	59	59	59
Selective Retailing	83	84	83	84
Other activities	34	32	35	33
Breakdown by professional category				
Executives and managers	65	64	65	64
Technicians and supervisors	71	70	68	68
Administrative and sales employees	81	83	81	82
Production workers	47	44	55	56
Breakdown by geographic region				
France	62	64	64	64
Europe (excluding France)	75	79	73	74
United States	78	82	79	80
Japan	71	77	75	76
Asia (excluding Japan)	77	75	76	76
Other markets	81	84	73	74
TOTAL	**75**	**78**	**73**	**74**

(a) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

5.2. ACTIONS IN FAVOR OF OLDER EMPLOYEES

The Group's various trades rely on precious expertise that is acquired and transmitted from one generation to the next. Preserving and passing on that expertise is thus a core priority for human resource management at Group companies. The people with this expertise tend to be older employees with an extensive background in their craft. Worldwide, 13.5% of the Group's workforce is over the age of 50. In France, this population accounts for 23.6% of the workforce.

At the instigation of the LVMH's Human Resources Department, Group companies are careful to implement a global approach to the management and professional development of older staff. They have been able to develop their policies according to their specific characteristics as pinpointed through diagnostic testing. In France, 26 Group companies have made commitments in relation to the management of older employees' careers via agreements or action plans to foster the recruitment, employment and career development of staff over the age of 50. All Group companies in France, regardless of size, have reaffirmed this commitment through the "contrat de génération" (cross-generation contract) plan to promote the sustainable employment of young people, encourage the hiring of older employees, and facilitate knowledge transfer across generations.

More generally, the Group's anti-discrimination policy encourages companies to hire older employees, with some companies (such as Berluti) even putting in place specific action plans to this effect. Companies also pay special attention to retaining older employees. Improvement efforts have also focused on workstation ergonomics, the reduction of physical strain, and working conditions more generally for employees over the age of 50, especially for the positions most exposed to physical or mental stress in workshops and at production facilities.

As employees approach retirement, some Group companies offer end-of-career interviews (Christian Dior Couture and Hublot), some offer specific training (Guerlain), others offer pre-retirement working arrangements (Givenchy and Le Bon Marché) or even specific medical monitoring (Fred), and still others offer pre-retirement training or retirement reviews (Céline, Hennessy and Louis Vuitton).

5.3. EMPLOYMENT OF PEOPLE WITH DISABILITIES

Supporting access to employment for people with disabilities is at the heart of the Group's corporate social responsibility policy. It is a top priority and an apt reflection of the Group's values: respect for each person as an individual and the same attitude expected of everyone working for the Group.

The "Mission Handicap" initiative, created in 2007, is tasked with making this ambition a reality, for which it relies on a network of 35 disability correspondents at Group companies. It steers the Group's actions in this area by raising employee awareness and providing support for training people with disabilities. It also promotes hiring and lasting employment through partnerships with organizations and institutions that support the social inclusion and employment of people with disabilities.

As regards hiring new employees, the Christian Dior group uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities. During testing for discriminatory practices, one of the criteria potentially tested for is disability. Recruitment takes place at all levels, including in the retail segment, and in all countries.

To encourage recruitment of people with disabilities, in 2014 the Group launched the "EXCELLhanCE" initiative in partnership with AGEFIPH. "EXCELLhanCE" enables people with disabilities to simultaneously obtain a degree, significant experience at Group companies and expertise specific to the luxury industry. It is based on intensive work-linked training programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management. Candidates are selected using the "Handi-Talents" process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere. The first intake of sales advisors and inventory managers in 2014 enabled 64% of participants to obtain a vocational qualification in logistics or a BTS technical qualification in Management of Commercial Units in 2016. 74% of participants went on to work for the Group under either a fixed-term or a permanent contract or continued with their studies. The second intake of participants started in fall 2016 and continued the program in 2017. Covering ten Group companies, this has allowed thirteen people with disabilities to enter employment on professional training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant. In 2017, the first two graduates in the field of human resources graduated from this second intake. Meanwhile, in the United States, through a similar program that combines training and induction, Sephora partnered with Ability Works to hire more candidates with disabilities at its Mississippi distribution centers. Two new intakes entered training in 2017, with a target of hiring 30% of participants in 2018.

In Italy, Group companies joined forces in partnership with non-profits AIPD (Associazione Italiana Persone Down) and AGPD (Associazione Genitori e Persone con Sindrome di Down). This partnership involves coordinating the Group's 13 companies established or active in Italy to support social and professional inclusion for people with Down syndrome. It includes two distinct components: a donation to the non-profits enabling them to launch vocational internships and training for mentors and young people with disabilities, and an employability awareness campaign for affected people, named "Assumiamoli" ("Let's employ them") for all Group employees in Italy. It is combined with a call for volunteers issued to the same population of employees to host and support candidates. To optimize this campaign, the "TueNoi" ("You and us") Intranet site was set up. Almost 200 employees have registered to date.

When it comes to keeping people employed, Group companies offer solutions to enable employees with a declared disability to continue working, for example by adjusting their working conditions or helping them transfer to a different job. Job preservation situations are usually handled on a case-by-case basis. For example, Louis Vuitton is very attentive to ensure that workstations and working hours are adapted to enable people with disabilities to keep working at its workshops. In March 2011, Moët & Chandon founded MHEA, a company that offers facilities adapted to employees with disabilities. A fully autonomous entity, MHEA maintains a disabled employment rate of 100% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation. Since it was founded, MHEA has enabled a total of 45 people to work under fixed-term or permanent contracts and around ten of them to join one of the Group's champagne houses under permanent contracts.

The Group works with organizations that support young people with disabilities in training programs, and with organizations that foster employment and social inclusion. The LVMH group is a co-founder of ARPEJEH, a non-profit organization that brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees are involved in this initiative and more than fifty young people were able to take part in it in 2017.

The Group also encourages its companies to develop their relations with companies that employ people with permanent or temporary severe disabilities, and provide them with special facilities and support (sometimes known as "sheltered" employment). Services entrusted to sheltered-sector and disability-friendly employers equated to 7.1 million euros in 2017, up 8% relative to 2016. This purchasing volume represents 368 full-time equivalent jobs.

With almost 3,000 visitors, the second Disability, Employment & Responsible Purchasing trade fair built on the success of the first. It was held at the Palais des Congrès in Paris on March 27, 2017 and was organized by LVMH and the events unit of newspaper Les Echos. The Disability, Employment & Responsible Purchasing trade fair is an opportunity for human resources staff to meet professionals working with disability issues, and focus together on direct recruitment and purchasing practices that facilitate employment for people living with disabilities. Over 100 sheltered workshops (Établissements et Services d'Aide pour le Travail) and disability-friendly employers (Entreprises Adaptées) were represented, organized into groups covering all sectors. A program of over 65 talks and training workshops was on offer to raise awareness and train attendees. Around a hundred Group employees took part.

The commitment of Group companies in this area was further demonstrated by Sephora signing an agreement with AGEFIPH. Hennessy, Christian Dior Couture and Parfums Christian Dior are each covered by an agreement.

This commitment helped raise the Group's employment of people with disabilities in France to 4.7% (sum of direct and indirect employment rates) as of end-2017, based on official standards for the definition of disabilities. Worldwide, people with disabilities make up 1% of the Christian Dior group's workforce.

6. Professional development of employees

Within the Group, leaders and managers know that they are responsible for developing and training talented people to help them improve their performance and find fulfilment in their work. Managers are fully aware of the impact of such actions in a world where innovation and creativity, excellence and entrepreneurship are essential.

To go even further in appropriating these values – which have driven and continue to drive the Group's success – the "Being LVMH" initiative has enabled the LVMH group's 26,631 managers, on a company by company basis, to take part in collaborative workshops to identify the best and most practical ways to develop such values on the ground.

From this work on the corporate culture, there naturally emerged a conviction that is now shared by all leaders within the LVMH ecosystem: "People make the difference".

And the reason "People make the difference" is that each Group company and regional organization, as well as staff at Group level, work every day to ensure that employees, managers and executives are always expanding their knowledge in their field of expertise and acquiring management and leadership skills that will enable them to be more and more effective and engaged in their work.

While fully aware that every professional situation is an opportunity to learn, the various organizations making up the Group also offer targeted training and development activities in which awareness, contextualization and implementation are all controlled and monitored to ensure that effective learning takes place.

Group companies offer a range of innovative activities to help each and every employee fully understand the products and services available to customers. This field of "brand education" is innovative and fast-changing. A community of those responsible for this activity at each Group company has therefore been formed to share best practice, thereby enhancing each individual activity carried out.

Beyond this community, an increasing number of opportunities to share experience and best practice are available to leaders and managers. These types of sessions are run by talent development professionals who, rather than simply raising participants' awareness, help examine issues from the perspective of each participant, ensuring that they are fully equipped to put new ideas into practice. Examples of this "cross-pollination" approach include training for store managers from ten different Group companies to ensure the successful opening of the Ginza Six shopping mall in Tokyo, and sharing of best practice and co-development between store managers in Macao, Taiwan, Hong Kong and Paris.

Focused actions are also in place to boost Group managers' leadership and management skills. In addition to proprietary programs offered by individual Group companies, LVMH's Regional Executive Development teams and LVMH House (dedicated to senior executives and high-fliers) continue to add more sessions and cater for increasing numbers of participants. Within such programs, there is an increasingly systematic focus on activities conducive to workplace well-being (yoga, tai chi, mindfulness, etc.) to ensure that employees are aware of the importance of working to maintain work/life balance.

The Group is constantly innovating in the area of executive development; the DARE initiative is a good example of the benefits afforded by new ways of working. DARE invites Group executives to dare to put forward ideas to shape the future of the luxury goods industry, and gives them an opportunity to work collaboratively on those ideas using methods inspired by the new economy that will help them be more agile and innovative. They will thus be equipped to champion entrepreneurial spirit throughout the LVMH ecosystem.

A substantial portion of training also takes place on the job on a daily basis and is not factored into the indicators presented below:

	2017	**2016**
Training investment *(EUR millions)*	121.5	125.6
Proportion of total payroll *(as %)*	2.1	2.6
Number of days of training per employee	2	2.2
Average cost of training per employee *(EUR)*	832	925
Employees trained during the year *(as %)*	56.6	61.4

Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the fiscal year, with the exception of the percentage of employees trained during the fiscal year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31 of that year.

In 2017, training expenses incurred by Group companies throughout the world represented a total of 121.5 million euros, or 2.1% of total payroll. The average training investment per full-time equivalent employee was approximately 832 euros. In 2017, the total number of training days was 290,448, equivalent to around 1,263 people receiving full-time training for the entire year. In 2017, 56.6% of employees received training and the average number of days of training was two days per employee.

The training investment is spread across all professional categories and geographic regions as presented in the table below:

	France	**Europe** (a)	**United States**	**Japan**	**Asia** (b)	**Other markets**
Training investment (*EUR millions*)	36.2	20.4	28.4	4.6	24.9	6.9
Proportion of total payroll (*as %*)	2.7	1.7	1.9	1.6	2.3	2.3
Employees trained during the year (*as %*)	54.8	52.9	54.9	54.9	64.9	53.2
Of which:						
Executives and managers	59.3	72.3	49.3	67.1	72.4	49.6
Technicians and supervisors	71.4	61.3	48.0	58.3	61.9	67.7
Administrative and sales staff	50.5	54.6	57.9	51.4	64.7	52.8
Production workers	40.9	29.6	47.1	8.3	32.8	52.9

Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the fiscal year, with the exception of the percentage of employees trained during the fiscal year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31 of that year.
(a) Excluding France.
(b) Excluding Japan.

In addition, each Group company holds its own face-to-face induction and awareness seminars for new hires focusing on its culture, its values, its key management principles and knowledge of its brands. In 2017, 34,983 employees under permanent or fixed-term contracts attended these types of seminars.

7. Health and safety

In 2017, there were 1,232 work accidents resulting in leave of absence (fewer than in 2016), which resulted in 39,247 lost working days. Both the frequency rate and the severity rate were lower than in 2016.

Work accidents resulting in leave of absence by business group and geographic region broke down as follows:

	Number of accidents	Frequency rate [(a)]	Severity rate [(b)]
Breakdown by business group			
Wines and Spirits	103	8.10	0.22
Fashion and Leather Goods	325	4.57	0.11
Perfumes and Cosmetics	136	3.02	0.07
Watches and Jewelry	36	2.53	0.04
Selective Retailing	527	5.92	0.19
Other activities	105	16.58	1.34
Breakdown by geographic region			
France	614	13.94	0.47
Europe (excluding France)	248	4.43	0.08
United States	164	3.58	0.24
Japan	13	1.19	0.00
Asia (excluding Japan)	128	2.06	0.03
Other markets	65	3.29	0.05
Group: 2017	**1,232**	**5.16**	**0.16**
2016	1,257	5.58	0.18

(a) The frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked [(c)].
(b) The severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked [(c)].
(c) The calculation of hours worked is based on actual data for France; for other countries, it is based on the number of full-time equivalent employees present within the Group as of December 31, 2017 and a ratio of hours worked per full-time equivalent employee per country taken from OECD knowledge bases.

In 2017, LVMH invested over 34.2 million euros in health and safety. This includes expenses for occupational medical services and protective equipment as well as programs for improving personal safety and health, such as compliance, posting of warnings, replacement of protective devices, fire prevention training and noise reduction.

The total amount spent on and invested in improving working conditions came to more than 52 million euros, or 0.9% of the Group's gross payroll worldwide. A total of 37,538 Group company employees received safety training worldwide.

The skills and motivation of the Group's employees are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to express those skills and motivation as best they can, and to feel fulfilled in carrying out their tasks. The Group strongly emphasizes the importance of protecting employees' health and safety to its companies via their human resources departments. These issues come to the fore at employees' workstations and in their day-to-day working environment, which is why it is the responsibility of Group companies to implement health and safety policies.

Health, safety and ergonomics assessments, giving rise to structured action plans, are carried out at production sites, workshops and vineyards as well as stores and headquarters. Awareness-raising and training in workplace safety and risk prevention is expanding. Processes to improve workstation ergonomics are implemented, and workstations are redesigned so that employees can keep their jobs for as long as possible.

Work-life balance is another essential part of quality of life at work, and a focus area for Group companies. Workplace concierge services and childcare are becoming more widespread within the Group.

Lastly, this concern for working conditions and respect for individuals also led to the publication and immediate implementation in 2017 of the charter on working relationships and well-being for models. In consultation with Kering and sector professionals, LVMH decided to draw up a charter on working relationships with models, applicable to all Group companies. The charter, which applies worldwide, promotes high standards of integrity, responsibility and respect towards the people involved.

8. Employee relations

8.1. EMPLOYEE REPRESENTATION

At the Group company level

In France, the Group's companies – particularly through the LVMH group – have one or more of the following, depending on their workforce: works councils, a combined staff representative body ("Délégation Unique du Personnel"), employee representatives, and health and safety committees.

In 2017, employee representatives attended 1,952 meetings:

Type of meeting	Number
Works council	686
Employee representatives	594
Health and Safety Committee	414
Other	258
TOTAL	**1,952**

As a result of these meetings, 126 company-wide agreements were signed. In France, in 2016, nearly all Group companies with stores in international tourist areas signed an agreement or unilateral commitment allowing them to open on Sundays on a continuous basis, in accordance with the Macron Act.

At Group level

A Group Works Council was formed in 1985 at LVMH. This body, which covers the whole of France and currently has 29 members, holds a plenary session once a year. Delegates meet with the Presidents of all of LVMH's business areas to receive and exchange information on the Group's strategic direction, economic and financial issues, and employment-related topics.

At European level

Over the past few years, the Group (particularly via LVMH) has taken on a strong European dimension, and the conversion of its legal structure into that of an SE (Societas Europaea) was the natural extension of the economic reality of its business. As part of this conversion, Groupe Arnault, Christian Dior and LVMH formed a Common European Companies' Committee (SE Works Council) made up of 28 members from the 21 EU countries (along with Switzerland) where the Group has a presence. The rules for this representative body were laid down in an agreement that was signed unanimously on July 7, 2014 by the elected employee representatives from these 22 countries and by the Executive Management of Groupe Arnault, Christian Dior and LVMH. In 2017, the SE Works Council of Groupe Arnault, Christian Dior and LVMH held a plenary session on April 7. The next meeting will be held on April 25, 2018.

The SE Works Council handles transnational issues at the European level. Alongside the Group Works Council, this body supplements the employee representation system made up of the individual companies' works councils which, in keeping with the Group's culture of decentralization, handle most employee-related issues.

8.2. SOCIAL AND CULTURAL ACTIVITIES

In 2017, Group companies allocated a budget of over 23.6 million euros (1.7% of total payroll) to social and cultural activities in France via contributions to works councils.

The total catering budget for all Group employees was 23.8 million euros.

9. Regional and societal impacts

The Group, notably through LVMH, has been a signatory of the United Nations Global Compact since 2003. The Global Compact and the Universal Declaration of Human Rights are the inspiration behind the Code of Conduct adopted by LVMH in 2009. The Code of Conduct outlines the guiding principles for the Group's conduct of its business and provides a set of rules for all to follow in their roles and responsibilities, with a special emphasis on the high level of integrity demanded of everyone. In 2017, LVMH completed work to overhaul the Code of Conduct, put in place a new organizational structure in the area of ethics and compliance, and developed a number of tools to support implementation of the Group's ethics and compliance approach on the ground. The revised Code was distributed to all staff, supported by an internal communication and awareness campaign and a dedicated e-learning module.

The Competition Law Compliance Charter, the Environmental Charter and the Suppliers' Code of Conduct cover more specific areas.

9.1. IMPACT OF THE BUSINESS ON LOCAL COMMUNITIES IN TERMS OF EMPLOYMENT AND REGIONAL DEVELOPMENT

The Group follows a policy of maintaining and developing employment. Thanks to the strong and consistent growth achieved by its brands, many jobs are created in all countries where the Group is present, particularly as a result of the expansion of the brands' own retail networks.

Non-disciplinary layoffs – including those due to economic conditions – accounted for just 6.1% of all terminations.

A number of Group companies have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions: Parfums Christian Dior in Saint-Jean-de-Braye (near Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local government, covering cultural and educational aspects as well as employment. Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), regularly carries out a range of measures encouraging the development of job opportunities at the local level.

As major employers in several labor markets, Group companies are attentive to the social particularities of their regions and have forged partnerships, as described below, with associations and non-governmental organizations to promote the social inclusion and employment of underprivileged populations.

9.2. ENGAGING WITH LOCAL COMMUNITIES

The Group encourages its companies to support the causes it feels are most important, which include ensuring access to education for young people, promoting the social inclusion and employment of jobseekers, and helping the most vulnerable communities. The Group thus puts its values to work in society, to ensure the successful integration of its Group companies and their activities at the local and national levels.

Helping young people get an education

The same focus on excellence that has enabled the Group's companies to succeed drives our efforts to provide educational opportunities for young people. Following the Group's lead, the Group's companies have developed numerous partnerships with schools located near their sites or further away. Sephora, for instance, supports "Toutes à l'école", an NGO that promotes education for young girls in Cambodia. Thanks to the involvement of staff and customers, 440,000 euros were raised.

As a signatory of the Apprenticeship Charter, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people's access to qualifications. As of December 31, 2017, more than 1,256 young people were working under apprenticeship or vocational training contracts (including Institut de Métiers d'Excellence) at all of the Group's French companies.

In 2014, LVMH launched the Institut des Métiers d'Excellence (IME). IME is a vocational training program that helps the Group ensure that its expertise in craftsmanship, design and sales is successfully passed on to the younger generation, thus increasing participants' employability. It is designed to meet the standards of our Group companies' and help fulfill their current and future needs.

The work-linked training program is designed in partnership with prestigious educational institutions selected for the quality of their teaching and wide recognition of their qualifications. Each program combines technical and theoretical coursework at partner institutions with experience at Group companies through paid work-and-training contracts. Participants also receive foreign language training and have opportunities to meet craftspeople, experts and designers and visit workshops and stores.

In 2017, after France and Switzerland, the LVMH Institut des Métiers d'Excellence launched out in Italy. The IME's Italian headquarters is in Florence, inside the Palazzo Pucci, the historical headquarters of Emilio Pucci.

The IME now offers 18 courses in France, Switzerland and Italy. More than 325 young people have trained at the IME since it was founded. In 2017, the IME achieved a 96% graduation rate and a placement rate of almost 90%, with two-thirds of graduates placed at Group companies and its external partners.

To promote equal opportunity access to word-class higher education, LVMH supports the priority education program run by the Institut d'Études Politiques (Institute for political studies, or Sciences Po Paris), by offering grants to students and giving young Sciences Po graduates the chance to be mentored by Group managers. In 2017, LVMH renewed its commitment – under which it will provide financial support and mentoring by Group managers for around ten students – for four years.

Lastly, LVMH has developed a partnership with Clichy-sous-Bois and Montfermeil, two adjacent suburbs of Paris with young, diverse populations. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods and social cohesion. Young people benefit from a wide range of initiatives, including "business discovery" internships for nearly 60 middle school students in 2017, visits to Group companies, internships for vocational school students and career orientation. A work-linked training fair was held in Clichy-sous-Bois-Montfermeil, showcasing the positions on offer at the Institut des Métiers d'Excellence. The Group also sponsors the "Cultures et Création" fashion show that showcases the region's creative talent. The Group invests in the future by offering masterclasses for young people and holding meetings with the Group's designers and craftspeople (including, in 2017, special visits to the "Christian Dior: Designer of Dreams" exhibition at the Musée des Arts Décoratifs in Paris and to Louis Vuitton workshops). At the fashion show, the Group awards a "Jeune Talent" (Young Talent) trophy to one young but underprivileged fashion enthusiast, helping winners gain wider recognition within the profession. The 2017 winner, Laurie Procès, got to exhibit her designs at Greenshowroom, a trade fair dedicated to environmentally responsible fashion that was held in Berlin from July 4 to 6. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-linked training program at Paris' couture union school. In 2016, the 2013 winner was hired at Christian Dior's Haute Couture workshop.

Facilitating access to employment and social inclusion for jobseekers

LVMH actively supports access to employment. In France, the Group has forged a lasting partnership with "Nos Quartiers ont des Talents", an organization of which it is a Board member. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2017, 105 experienced managers participated as mentors, 49 of whom were still participating at the end of 2017. Since 2007, 533 young people have found jobs after being mentored by a Group employee. LVMH also took part in the "Talents Hub" event held by the association on November 15, which gave over 2,500 young people an opportunity to receive advice and guidance on finding work.

To speed up access to employment, LVMH has put in place "Jobstyle" sessions. These job coaching sessions are led by Group company recruiters and beauty consultants from Make Up For Ever and Sephora. The goal is to give job candidates all the resources they need to fully prepare for a job interview and develop their self-confidence. The program is aimed at groups that are underrepresented in the labor market, supported by the Group's partners who are active in the fields of education, disability and integration. In 2017, ten sessions were held with over 300 participants backed by LVMH's partners (including Force Femmes and Nos Quartiers ont des Talents).

Helping those in need

The efforts of LVMH and its Group companies to assist disadvantaged local communities go beyond corporate philanthropy and may include, for example, employee volunteering, product donations or financial aid. Major new initiatives are thus coming into being.

In January 2016, Louis Vuitton launched an international partnership with the United Nations International Children's Emergency Fund (UNICEF). By the end of 2017, a total of 4.5 million euros had been raised since the partnership was launched, to support children in emergency situations, notably in Syrian refugee camps in Lebanon. Employees are involved through internal fundraising campaigns. Six employees also visited refugee camps in Lebanon to see how the funds were being used. In-store sales staff played their part, particularly on "Make a Promise Day", designed to raise awareness among customers. Two products have been developed to involve customers in the approach: *Silver Lockit* and *Silver Lockit Color*. All profits from sales of these two products are paid in full to UNICEF.

In 2015, Benefit launched "Bold is Beautiful", a beauty fundraising campaign to support projects spearheaded by women. During the month of May, all the proceeds generated by the brand's Brow Bars were donated to charities that empower women and girls around the world. As of the end of 2017, Benefit had collected and donated over 11 million dollars to charities all over the world since the Bold is Beautiful campaign first began, through 379,000 brow waxes. Seventeen countries took part in 2017, donating funds to 34 partner charities in the United States, the United Kingdom, France, Australia, Canada, Ireland, Spain, Singapore, the United Arab Emirates, Brazil, New Zealand, Turkey, Portugal, Italy, Mexico, South Korea and the Philippines.

Sephora continued with its "Sephora Stands" initiative in the Americas (the United States, Canada, Mexico and Brazil). Sephora launched this initiative in support of in support of social and environmental impact programs. In 2017, Sephora Americas hosted and ran the first Sephora Stands Global Summit, attended by executives from other Sephora regions and countries interested in Sephora Stands. Sephora Stands extends beyond the Americas, with launches in Europe and the Middle East. The program now covers four main fields:

- Self-confidence classes: free 90-minute beauty classes for disadvantaged women and women facing cancer. A new class was added in 2017: "Brave Beauty in the Face of Cancer" was offered over 525 times to almost 4,000 women, in partnership with 225 non-profits (compared with 202 classes, 1,750 women and 125 partnerships in 2016). A total of 258 US stores took part, as well as five pilot stores in Canada.
- Accelerating: supporting female entrepreneurs in the early stages of their careers through practical advice, mentoring and funding. The 2017 participants consisted of ten female entrepreneurs representing four countries: the United States, Canada, Mexico and Brazil (compared with eight entrepreneurs and three countries in 2016). All the entrepreneurs who have taken part have found the program useful, and two are launching out with Sephora in 2018. The group has received over 600 hours of mentoring.
- Giving: Sephora Stands Together, an emergency support fund for employees, was extended to include staff in Canada and Mexico as well as the United States. Sephora thus supported more than 150 employees in 2017, many of whom were affected by natural disasters, thanks to more than 250,000 dollars in non-taxable financial aid. A leave donation program was also tested. Employees donated 400 days' leave to support colleagues affected by natural catastrophes.

In 2009, Bvlgari decided to get involved with Save the Children. It has since donated more than 70 million dollars, benefiting 1.2 million children. A total of 700,000 customers have bought the company's "Save the Children" jewelry. More than 100 projects have been launched in 33 countries around the world. The partnership is supported by 275 celebrities. Bvlgari also involves its employees, with more than 250 having visited Save the Children projects on the ground.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This occasion also raises funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia, to which LVMH has donated 650,000 euros since 2011 to improve patient care and fund research. LVMH also provides financial support to causes that are close to its heart:

- Kelina, which works to provide care for mothers and children in Benin. The funds raised have gone toward building a maternity hospital in northwestern Benin, in a region with limited medical facilities. A total of 80,000 euros has been donated since 2015.
- K d'Urgences, which provides human, social and financial support for single-parent families in France. A total of 80,000 euros has been donated since 2014. On Wednesday, May 24, 2017, the Jardin d'Acclimatation welcomed 3,000 single-parent heads of household with the support of LVMH staff, in partnership with other institutions and businesses. The day provided an opportunity for them to directly access all the employment, legal and social services often needed by single-parent families.

9.3. CORPORATE SPONSORSHIP

For 25 years, the Group has pursued a comprehensive communications policy thanks to its innovative and original sponsorship initiatives. This is only natural, since they are the cultural, artistic and social expression of the shared values that underlie the success of its Group companies while allowing each to express its own personality and image. It is also a useful approach because it enables the Group to make its patronage of culture, the arts, education, youth and major humanitarian causes a vehicle for its corporate social responsibility initiatives.

The Group continued to support creative activities by contemporary artists in 2017. LVMH has been a loyal patron of the "Nuit Blanche" night-time arts festival for more than ten years, and once again provided support alongside the City of Paris this year to the French and international arts scene, giving center stage to contemporary artists at an event open to all in the heart of Paris.

LVMH also launched several initiatives to raise awareness of and enrich France's cultural and artistic heritage. With its five million euro donation, LVMH spearheaded the "Become a Patron!" crowdfunding campaign in October 2017 launched by the Louvre to acquire King François I's Book of Hours. In so doing, the Group made a decisive contribution towards acquiring and returning to France this national treasure that is a unique witness to the reign of one of the greatest figures of French history. The acquisition is due to be completed sometime in 2018. In addition, in fall 2017 the Group enabled the Musée Nationale Picasso to stage the "Picasso 1932" exhibition, offering unprecedented and intimate insights into Pablo Picasso's art through the prism of his creative journal, revealing the day-by-day unfolding of events in 1932 – one of his most important and prolific years. At the Fondation Louis Vuitton, the "Icons of Modern Art: The Shchukin Collection" exhibition set a new record for an art exhibition in France, totaling 1.2 million visitors by the time it closed in March 2017. Next, in the spring, "Art/Afrique, Le Nouvel Atelier" gave a wide audience the chance to discover the vitality and wealth of Africa's thriving art scene. Lastly, from October onwards, the "Being Modern: MoMA in Paris" exhibition hosted, for the first time in France, an exceptional selection of 200 works brought to Paris from New York to recount the history of the Museum of Modern Art and its vocation as a collector.

LVMH's initiatives to support education and young people include designing and initiating educational programs that bring the best of artistic culture to elementary, junior high school and art school students. In 2017, LVMH notably renewed its support for the association "Orchestre à l'école", enabling almost 200 children all over France to make music as part of a dedicated curriculum. LVMH also once again loaned out the Stradivarius violins in its collection.

Finally, the Group has supported many institutions recognized for their initiatives in support of children, the elderly and people with disabilities and for the prevention of major causes of suffering and exclusion. In 2017, LVMH supported a number of foundations and research teams engaged in cutting-edge public health research.

Fondation Louis Vuitton

The Fondation Louis Vuitton is a *fondation d'entreprise* (corporate foundation) established by prefectoral order published in the Journal Officiel (official gazette) on November 18, 2006, and governed by French Law No. 87-571 of July 23, 1987 on the development of corporate sponsorship. The Fondation is a non-profit organization that pursues a diverse range of initiatives aimed at promoting artistic and cultural activities in France and abroad, as well as expanding access to works of art; these initiatives include exhibitions, educational activities for schools and universities, seminars and conferences.

The members of the Fondation are the Group's main French companies. The Fondation is overseen by a Board of Directors, one-third of whose members are non-Group individuals chosen for their expertise in its fields of activity, and the other two-thirds of which are company officers and employees of Group companies. It is funded in part by contributions from Fondation members as part of multi-year programs, as required by law, as well as external financing guaranteed by LVMH.

It is subject to verification by a Statutory Auditor, which carries out its assignment under the same conditions as those that apply to commercial companies, and to the general supervisory authority of the Prefect of Paris and the Paris region.

Management report of the Board of Directors

ENVIRONMENT

Pursuant to:

- France's Decree No. 2002-221 of February 20, 2002, known as the NRE decree ("Nouvelles Régulations Économiques");
- Decree No. 2012-557 of April 24, 2012 regarding companies' transparency obligations with respect to social and environmental issues;
- Decree No. 2016-1138 of August 19, 2016 amending Article L. 225-102-1 of the French Commercial Code pursuant to Law No. 2015-992 of August 17, 2015 on energy transition for green growth, and Law No. 2016-138 of February 11, 2016 on combating food waste;
- Decree No. 2017-1265 of August 9, 2017 on the publication of non-financial disclosures by certain large companies and certain groups of companies;

The following sections provide information on the type and significance of relevant and significant impacts only, with regard to business operations.

As all the Group's operating activities take place at LVMH and its subsidiaries, the following sections concern LVMH and its subsidiaries.

The environmental information contained in this report has been verified by an independent verifier in accordance with Article 225 of the "Grenelle II" Law of July 12, 2010. LVMH's Environment Department conducted an assessment to identify disclosures and significant indicators relative to the Group's business to be covered, at LVMH's request, by an audit by that same independent verifier with the aim of obtaining a higher level of assurance than that required by law ("reasonable assurance").

The environmental indicator reporting process covered the following scope in 2017:

Production facilities, warehouses and administrative sites *(number)*	**2017**
Sites covered [(a)]	252
Sites not covered [(b)]	135
TOTAL NUMBER OF SITES	**387**

(a) Integration of Christian Dior Couture.
(b) Main components: certain regional administrative sites of Louis Vuitton and Moët Hennessy as well as administrative sites with few employees.

94% of production sites are covered. The manufacturing, logistics and administrative sites that are not covered by environmental reporting are essentially excluded for operational reasons and are not material. A plan to gradually include them is underway.

The sales floor area used to calculate energy consumption, greenhouse gas emissions and water consumption is as follows, expressed as a percentage of the Group's total sales floor area:

	% of Group sales floor area taken into account in calculating energy consumption and greenhouse gas emissions [(a)]		**% of Group sales floor area taken into account in calculating water consumption** [(a)]	
	2017	**2016**	**2017**	**2016**
GROUP TOTAL	**69** [(b)]	**71**	**19**	**21**

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.
(b) Change related to the exceptional exclusion of certain zones.

The sales floor area used to calculate energy consumption, greenhouse gas emissions and water consumption at major Group companies is as follows, expressed as a percentage of the total sales floor area of each company:

	% of Group company sales floor area taken into account in calculating energy consumption and greenhouse gas emissions		**% of Group company sales floor area taken into account in calculating water consumption**	
	2017	**2016**	**2017**	**2016**
DFS	87	83	54	63
Louis Vuitton	66	70	-	-
Sephora North America and Latin America	71	70	18	16
Sephora Europe and Asia	74	84	8	16

Calculations of energy consumption and greenhouse gas emissions also include all French stores operated by Berluti, Givenchy, Guerlain, Kenzo, Le Bon Marché, and Make Up For Ever, and certain stores operated by Acqua di Parma, Benefit, Bvlgari, Céline, Chaumet, Christian Dior Couture, Fendi, Fred, Hublot, Loewe, Loro Piana, Marc Jacobs, Parfums Christian Dior, Pucci, TAG Heuer and Thomas Pink.

Calculations of water consumption also include certain stores operated by Berluti, Bvlgari, Chaumet, Christian Dior Couture, Fendi, Guerlain, Kenzo, Le Bon Marché and Loewe.

For waste production, only stores operated by DFS, Le Bon Marché and certain Acqua di Parma, Berluti, Bvlgari, Chaumet, Christian Dior Couture, Fendi, Givenchy, Make Up For Ever and Sephora Europe stores are included in the scope. The Group has almost 4,000 stores, and certain environmental data is difficult for small stores to obtain. However, the Group has set itself the target to gradually include those stores.

1. General environmental policy

1.1. EVALUATION AND CERTIFICATION PROGRAMS AND ORGANIZATION

The Group has had an Environment Department since 1992. In 2001, LVMH established an Environmental Charter signed by the Chairman of the Group, under which each Group company must undertake to put in place an effective environmental management system, create think tanks to assess the environmental impacts of the Group's products, manage risks and adopt environmental best practices. The Charter is presented in greater detail in the LVMH Environmental Report. In 2003, Bernard Arnault joined the United Nations' Global Compact program. In 2017, the Group was included in the main indices based on responsible investment criteria: FTSE4Good Global 100, Euronext Vigeo Eurozone 120 and ESI (Ethibel Sustainability Indices) Europe.

As such, the Group undertakes to:

- adopt a precautionary approach to all issues impacting the environment;
- undertake initiatives designed to promote greater environmental responsibility;
- favor the development and dissemination of environmentally friendly technologies.

The Group's Environment Department has the following objectives:

- roll out the LIFE (LVMH Initiatives For the Environment) program;
- guide Group companies' environmental policies, in compliance with the LVMH Charter;
- conduct internal audits to assess Group companies' environmental performance;
- monitor regulatory and technical developments;
- create management tools that address issues such as packaging design, supplier relations and regulatory monitoring;
- help Group companies safeguard against risks;
- train employees and raise environmental awareness at every level of the organization;
- define and consolidate environmental indicators;
- work with the various stakeholders involved (non-profits, rating agencies, public authorities, etc.).

It is supported by the Environment Committee, which meets several times a year, bringing together a network of almost 80 environmental representatives from Group companies.

The LIFE program is designed to reinforce the incorporation of environmental concerns into management processes, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Group companies. Group companies have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Group company and is based on nine key aspects of environmental performance:

- environmental design;
- securing access to strategic raw materials and supply channels;
- traceability and compliance of materials;
- suppliers' environmental and social responsibility;
- preserving critical expertise;
- reducing greenhouse gas emissions;
- environmental excellence in manufacturing processes;
- product life span and reparability;
- customer and key stakeholder information.

To further improve consistency and efficiency, in 2016 the Group gave its companies – regardless of business sector – four shared targets to be achieved by 2020 (the baseline year being 2013):

- sustainable product design: by 2020, Group companies must make all their products more environmentally friendly. LVMH's Perfumes and Cosmetics companies and Wines and Spirits companies undertake to improve their Environmental Performance Index (EPI) score by 10% (see §3.2, "Raw material consumption"). Fashion and Leather Goods companies and Watches and Jewelry companies establish sustainable design guidelines to be applied during product development;
- suppliers and raw materials: Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70% of the supply chain by 2020 and 100% by 2025;

- cutting energy-related CO_2 emissions by 25%;
- make all production sites and stores more environmentally friendly: Group companies undertake to reduce at least one of the following indicators – water consumption, energy consumption or waste production – by 10% at each of their sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15% more energy efficient and new stores will have to achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart.

With regard to certification, all of the Cognac, Champagne and Vodka companies and all of Guerlain's activities in France have now obtained ISO 14001 certification. Parfums Christian Dior, Make Up For Ever and LVMH Fragrance Brands have also had all of their manufacturing and logistics facilities certified. At Louis Vuitton, the supply chain has been ISO 14001-certified for Leather Goods and Accessories. This is a world first, and the result of cooperation between the Logistics Department and its transportation and logistics partners. 70% of Louis Vuitton workshops are also certified. At the end of 2017, 53% of the Group's manufacturing, logistics and administrative sites were ISO 14001-certified (63% of manufacturing sites).

LVMH's Watches and Jewelry business group is a member of the Responsible Jewellery Council (RJC), an organization that brings together over 550 member companies committed to promoting ethical behavior, human rights and social and environmental practices throughout the industry, from mine to point of sale. The RJC has developed a certification system designed, in particular, to ensure that diamonds used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds. Kimberly certification requires input from independent accredited auditors. All Watches and Jewelry companies have been certified according to the Code of Practices (2013 version).

1.2. TRAINING

In 2017, almost all Group companies continued with their employee environmental training and awareness programs. These programs totaled 18,841 hours, 8% lower than in 2016 (20,511 hours).

1.3. PREVENTING ENVIRONMENTAL RISKS AND POLLUTION

Group companies are regularly audited by third parties, insurers or internal auditors, enabling them to keep their compliance monitoring plans up to date. In 2017, certain manufacturing, logistics and administrative sites, as well as certain large stores, were audited, for a total of 87 external audits and 147 internal audits, with some sites being audited several times during the year. Such audits correspond to an inspection of one or more sites belonging to the same company, covering all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations. The figure does not include the numerous compliance controls that may be performed on a specific environmental regulation issue – for example, a waste sorting inspection – performed periodically by Group companies at their sites. Additional information is available in the "Management of financial and non-financial risks" section of the Management report of the Board of Directors (§2, "Risk identification").

1.4. PROVISIONS AND GUARANTEES GIVEN FOR ENVIRONMENTAL RISKS

Environmental expenses are recognized in accordance with the recommendations of the French Accounting Standards Authority (ANC). Operating expenses and capital expenditure are recognized against each of the following items:

- air and climate protection;
- wastewater management;
- waste management;
- protection and purification of soil, groundwater and surface water;
- noise and vibration reduction;
- biodiversity and landscape protection;
- radiation protection;
- research and development;
- other environmental protection measures.

Environmental protection expenses in 2017 broke down as follows:

- operating expenses: 14.5 million euros;
- capital expenditure: 20.5 million euros.

Provisions for environmental risks amounted to 13 million euros as of December 31, 2017. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

2. Pollution and waste management

2.1. PREVENTING AND REDUCING AIR, WATER AND SOIL DISCHARGES

The discharges of substances causing eutrophication by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations are considered the only significant and relevant emissions into water. The Group's other business groups have a very limited impact on water quality. Eutrophication is the excessive buildup of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has agreements. The following operations are considered treatment: city and county wastewater collection and treatment, independent collection and treatment (aeration basin) and land application.

COD after treatment *(metric tons/year)*	**2017**	**2016**	**2017 pro forma** [(1)]	**Change** [(1)] *(as %)*
Wines and Spirits	1,611	3,195	1,611	(50) [(a)]
Fashion and Leather Goods	39	152	39	(74) [(a)]
Perfumes and Cosmetics	9	7	7	23
TOTAL	**1,659**	**3,354**	**1,659**	**(51)**

(a) Change related to improvement of wastewater treatments.

In 2017, the installation of an innovative wastewater treatment system enabled Glenmorangie to very significantly reduce its COD after treatment.

Measurement frequencies at the highest-contributing Group companies are compliant with local regulations but remain limited with regard to the changes observed in quantities discharged.

Volatile Organic Compound (VOC) emissions are addressed through specific action plans, notably for Perfumes and Cosmetics operations and the tanneries. The subject of soil discharges is addressed in §3.4, "Soil use".

2.2. PREVENTING, RECYCLING AND ELIMINATING WASTE

In 2017, 91% of waste was recovered (86% in 2016). Recovered waste is waste for which the final use corresponds to one of the following channels, listed in descending order of interest in accordance with European and French laws:

- reuse, i.e. the waste is used for the same purpose for which the product was initially designed;
- recycling, i.e. direct reintroduction of waste into its original manufacturing cycle resulting in the total or partial replacement of an unused raw material, controlled composting or land treatment of organic waste to be used as fertilizer;
- incineration for energy production, i.e. recovery of energy in the form of electricity or heat by burning the waste.

(1) Value and change at constant scope.

Waste produced

(in metric tons)	Waste produced in 2017	Of which: hazardous waste produced in 2017 [(a)]	Waste produced in 2016	Waste produced in 2017 pro forma [(1)]	Change in waste produced [(1)] *(as %)*
Wines and Spirits	48,410	287	52,899	48,410	(8)
Fashion and Leather Goods	12,505	1,072	11,194	11,636	4
Perfumes and Cosmetics	8,741	1,609	7,674	8,743	14 [(b)]
Watches and Jewelry	904	197	1,151	1,033	(10)
Selective Retailing	5,994	121	6,589	5,958	(10)
Other activities	1,995	71	1,280	2,025	58 [(c)]
TOTAL	**78,549**	**3,357**	**80,787**	**77,805**	**(4)**

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic or paper).
(b) Change related to business activity.
(c) Change related to improvement of reporting process.

Waste recovery in 2017

(as % of waste produced)	Reused	Recovery of materials	Waste-to-energy recovery	Total recovery
Wines and Spirits	18	72	6	96
Fashion and Leather Goods	2	41	30	73
Perfumes and Cosmetics	3	74	20	97
Watches and Jewelry	12	40	25	78
Selective Retailing	9	44	27	81
Other activities	-	30	63	93
TOTAL	**12**	**64**	**15**	**91**

The Perfumes and Cosmetics companies, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE recovery and recycling facility (Centre Environnemental de Déconditionnement, Recyclage Écologique) to handle all the waste generated by the manufacturing, packaging, distribution, and sale of cosmetic products. CEDRE accepts several types of articles: obsolete packaging, alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. In 2014, the service was expanded to accept textiles. In 2017, around 2,143 metric tons of waste were processed. The various materials (glass, cardboard, wood, metal, plastics, alcohol, cellophane and textiles) are resold to a network of specialized recyclers. As regards food waste, La Grande Épicerie de Paris, which has a number of fresh food production facilities, has developed an accurate system for predicting sales in order to adapt production to production volumes on a daily basis. It has formed a partnership with the Red Cross, which collects any unsold produce each day.

2.3. ADDRESSING NOISE POLLUTION AND OTHER FORMS OF POLLUTION

The Group's business activities do not have a significant impact in terms of noise pollution and other forms of air pollution. Nevertheless, the Group's companies remain vigilant, particularly with the help of the environmental management systems that have been put in place, and are attentive to their surroundings and civil society.

(1) Value and change at constant scope.

3. Sustainable use of resources

3.1. WATER CONSUMPTION AND SUPPLY ACCORDING TO LOCAL CONSTRAINTS

Water consumption is analyzed based on the following requirements:

- process requirements: use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc. Such water consumption generates wastewater;
- agricultural requirements: water consumption for vineyard irrigation outside France, as irrigation is not used for the Group's vineyards in France. As such, water is taken directly from its natural environment for irrigation purposes. Its consumption varies each year according to changes in weather conditions. However, it is worth noting that the measurement by the sites of water consumption for agricultural purposes is less precise than the measurement of process water consumption.

(in m^3)	2017	2016	2017 pro forma (1)	Change (1) *(as %)*
Process requirements	3,876,536	3,727,289	3,863,705	4
Agricultural requirements (vineyard irrigation)	4,721,037	4,507,022	4,721,037	5

Water consumption for process requirements can be broken down as follows by business group:

(process requirements in m^3)	2017	2016	2017 pro forma (1)	Change (1) *(as %)*
Wines and Spirits	1,151,814	1,171,530	1,151,814	(2)
Fashion and Leather Goods	1,714,661	1,509,969	1,635,424	8 (a)
Perfumes and Cosmetics	178,646	172,064	179,027	4
Watches and Jewelry	91,416	62,129	70,317	13 (a)
Selective Retailing	483,950	535,728	566,030	6
Other activities	256,049	275,869	261,093	(5)
TOTAL	**3,876,536**	**3,727,289**	**3,863,705**	**4**

(a) Change related to business activity.

An in-depth analysis of sensitivity to local constraints was carried out at each Group company using Pfister's 2009 water scarcity index and the 2012 Aquastat database. This analysis was based on measurements of each geographic area's sensitivity, obtained by comparing water consumption to available resources at the local level. Four Group companies whose water consumption is significant relative to the Group as a whole are located in areas where water stress is close to 100%, meaning that water requirements in these areas are close to the level of available resources:

- the Cheval des Andes and Terrazas de los Andes vineyards, which represent 76% of the Group's agricultural water requirements;
- the Domaine Chandon California and Newton vineyards, which represent 5% of the Group's agricultural water requirements.

Vineyard irrigation is an authorized and supervised practice in California and Argentina due to the climate. It is essential for the preservation of vineyards. The Group has also taken the following measures to limit water consumption: harvesting rainwater; drafting agreements on measures and specifications with respect to water requirements; standardizing drip irrigation practices in California; using weather forecasts to optimize irrigation; and adopting the "regulated deficit irrigation" technique, which reduces water consumption and actually improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color.

(1) Value and change at constant scope.

3.2. RAW MATERIAL CONSUMPTION

The main raw materials consumed by the Group are as follows:

- grapes (see §3.4, "Soil use");
- leathers, raw lamb and calf skins, and exotic leathers (see §5, "Protecting biodiversity");
- plant species (see §5, "Protecting biodiversity");
- gemstones and precious metals (see §1.1, "Evaluation and certification programs and organization");
- regulated chemicals. All Group companies have incorporated the requirements of the EU's REACH Regulation into their contractual documents so as to engage all suppliers in this undertaking.

Additional information is available in the "Management of financial and non-financial risks" section of the Management report of the Board of Directors.

The only significant, relevant criterion used by all Group companies for the analysis of raw material consumption is the quantity of packaging that reaches customers, measured in metric tons:

- Wines and Spirits: bottles, boxes, caps, etc.
- Fashion and Leather Goods: boutique bags, pouches, cases, etc.
- Perfumes and Cosmetics: bottles, cases, etc.
- Watches and Jewelry: cases and boxes, etc.
- Selective Retailing: boutique bags, pouches, cases, etc.

Packaging used for transportation is not included in this analysis.

Packaging that reaches customers

(in metric tons)	**2017**	**2016**	**2017 pro forma** [1]	**Change** [1] *(as %)*
Wines and Spirits	161,890	161,331	161,890	-
Fashion and Leather Goods	9,522	6,855	8,684	27 [(a)]
Perfumes and Cosmetics	28,340	27,591	28,340	3
Watches and Jewelry	4,880	4,090	4,880	19 [(a)]
Selective Retailing	5,177	6,204	5,177	(16) [(b)]
TOTAL	**209,809**	**206,071**	**208,971**	**1**

(a) Change related to business activity and optimization of reporting process.
(b) Change related to optimization of reporting process.

Breakdown of the total weight of packaging that reaches customers, by type of material, in 2017

(in metric tons)	**Glass**	**Paper-cardboard**	**Plastic**	**Metal**	**Fabric**	**Other packaging material**
Wines and Spirits	141,926	15,245	1,592	1,540	64	1,523
Fashion and Leather Goods	-	8,156	62	-	1,291	13
Perfumes and Cosmetics	14,405	4,351	6,924	2,215	122	323
Watches and Jewelry	1,983	1,040	1,402	247	137	71
Selective Retailing	98	3,007	1,991	71	2	8
TOTAL	**158,412**	**31,799**	**11,971**	**4,073**	**1,616**	**1,938**

(1) Value and change at constant scope.

Group companies have adapted different tools and training to ensure that there is optimum consideration of the environment in product design. The Edibox application has been rolled out at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton, Bvlgari and Sephora so as to ensure that environmental concerns are incorporated into the early stages of packaging design. This application calculates the Environmental Performance Index (EPI) and the greenhouse gas emissions generated by packaging materials. The criteria it uses are weight, volume, separability of materials and the number of packaging layers. As an example, the new *Dior Hydra Life* skincare line launched in 2017 stands out, not only because an average 83% of its ingredients are of natural origin: its packaging is also the result of a sustainable design process. By eliminating unnecessary cardboard, leaflets and cellophane, packaging volume was reduced by 30% to 40% depending on the product. The single-material embossed plastic cap is also 65% lighter than the one used for the previous product line. The Group company has set ambitious sustainable design targets and will build on this approach.

3.3. ENERGY CONSUMPTION, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY AND RENEWABLE ENERGY USE

Energy consumption comprises the total amount of primary energy sources (such as fuel oil, butane, propane and natural gas) and secondary energy sources (such as electricity, steam and ice water) mainly used to power manufacturing processes and to run buildings and stores' air conditioning and heating systems.

Energy consumption by business group

(in MWh)	**2017**	**2016**	**2017 pro forma** [1]	**Change** [1] *(as %)*
Wines and Spirits	188,292	192,500	188,292	(2)
Fashion and Leather Goods	371,105	328,523	332,862	1
Perfumes and Cosmetics	90,160	83,664	86,862	4
Watches and Jewelry	35,924	30,568	31,674	4
Selective Retailing	296,537	320,500	308,233	(4)
Other activities	17,091	18,351	18,995	4
TOTAL	**999,109**	**974,106**	**966,918**	**(1)**

Consumption by energy source in 2017

(in MWh)	**Electricity**	**Natural gas**	**Heavy fuel oil**	**Fuel oil**	**Butane Propane**	**Steam**	**Ice water**	**Renewable energies**
Wines and Spirits	22,695	56,694	22,367	23,190	4,079	-	-	59,267
Fashion and Leather Goods	154,298	109,152	-	9,584	6,445	2,268	2,159	87,199
Perfumes and Cosmetics	7,679	31,794	-	70	-	897	407	49,313
Watches and Jewelry	15,241	5,825	-	2,001	215	-	-	12,642
Selective Retailing	198,728	9,236	-	1,271	6	3,403	4,074	79,819
Other activities	5,488	4,268	-	141	33	417	2,469	4,275
TOTAL	**404,129**	**216,969**	**22,367**	**36,257**	**10,778**	**6,985**	**9,109**	**292,515**

Bilan Carbone® assessments and energy audits provide insights that Group companies can use to develop suitable strategies for reducing energy consumption. Group companies have implemented a range of solutions with regard to store lighting and air conditioning, transportation, energy efficiency, and the promotion of renewable energy sources.

(1) Value and change at constant scope.

3.4. SOIL USE

Soil pollution arising from old manufacturing facilities (cognac, wine and champagne production, trunk production) is not considered significant at the Group level. The more recent production facilities are generally located on farmland with no history of pollution. The Group's manufacturing operations require very little soil use, except for wine production.

The Group's Wines and Spirits houses are doubly committed to sustainable winegrowing, for reasons both historic and strategic. They are pursuing a variety of initiatives in sustainable and organic farming that drastically reduce their environmental impact. Hennessy, leading the way in sustainable development, became the world's first ISO 14001-certified wines and spirits company in 1998. The Group company's vineyards have earned France's "high environmental value" (HVE) certification and have been rated "benchmark farms" under the Ecophyto Plan to reduce pesticides since 2011. Hennessy has now committed to training 100% of its 1,600 winegrowing partners – representing 30,000 hectares – through the Charente sustainable winegrowing program by 2021. Since 2015, the champagne houses have achieved dual certification in sustainable winegrowing and "high environmental value".

4. Combating and adapting to climate change

4.1. REDUCING GREENHOUSE GAS EMISSIONS

For over 15 years, LVMH has carried out Bilan Carbone® assessments of the main Group companies and each year consolidates greenhouse gas emissions generated by the energy consumption of the Group's production plants and transportation of products. A specific study has been carried out assessing the environmental impact of the Group's raw material production and supply chain. Across the entire value chain quantified, 50% of emissions are generated by the production of raw materials and 30% by inbound and outbound transport. Next come emissions generated by production plants, logistics centers, offices and stores (20%), whether direct (Scope 1) or indirect (Scope 2). Downstream emissions generated by using products (washing of fashion products, rinsing of certain cosmetics products) or when products come to the end of their useful life will be refined at a later stage.

Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions

Given the nature of the Group's operations, the only air emissions that have a significant impact on the environment are greenhouse gases. Estimated greenhouse gas emissions in metric tons of carbon dioxide equivalent (tCO_2e) correspond to site energy consumption emissions, as defined in §3.3.

Given the increasing importance of renewable energy issues within the Group, the CO_2 emissions calculation methodology was reviewed in 2016. The main Scope 1 and 2 greenhouse gas emission reduction initiatives involve reducing the amount of energy used for lighting and air conditioning in stores, and optimizing energy consumed by manufacturing processes.

Breakdown of emissions by business group in 2017

(in metric tons of CO_2 equivalent)	CO_2 emissions in 2017	Of which: Direct CO_2 emissions *(as %)*	Of which: Indirect CO_2 emissions *(as %)*	CO_2 emissions in 2016	CO_2 emissions in 2017 pro forma [(1)]	Change [(1)] *(as %)*
Wines and Spirits	36,442	69	31	39,787	36,442	(8)
Fashion and Leather Goods	104,990	25	75	104,070	87,575	(16)[(a)]
Perfumes and Cosmetics	11,892	55	45	9,106	9,613	6
Watches and Jewelry	5,633	32	68	4,001	3,784	(5)
Selective Retailing	116,375	2	98	138,873	125,932	(9)
Other activities	2,800	33	67	2,529	2,966	(17)[(b)]
TOTAL	**278,132**	**23**	**77**	**298,366**	**266,312**	**(11)**

(a) Change related to the switch to renewable energy at manufacturing sites.
(b) Change related to business activity.

LVMH has long stressed the importance of addressing climate change in its business activities, having carried out its first Bilan Carbone® assessments at the following Group companies in 2002: Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy, Make Up For Ever, DFS, Sephora and Le Bon Marché. Greenhouse gas emissions are retested using this assessment protocol every four years.

Group companies are working on ways to reduce energy consumption and greenhouse gas emissions at their own sites and stores (see §3.3). They are also taking action to reduce the emissions generated by their logistics chains. In order to ensure that supplies to its stores generate as little pollution as possible, Sephora has for many years used electric vehicles for deliveries to its city center stores. This positive practice, which is both environmentally friendly and economical, was introduced in France in 2009 and has since been rolled out to other countries. After China in 2015 and Italy in 2016, the practice was launched in Spain, with electric trucks now making deliveries in the urban areas of Madrid and Barcelona. Delivery trucks switch to 100% electric mode as soon as they enter Rome and Milan, two of the Italian peninsula's largest urban areas.

2017 was the second year of the internal carbon fund launched in 2015. This unprecedented initiative reaffirms the Group's commitment to helping to combat climate change. On the basis of 2016 greenhouse gas emissions, the fund totaled 5.7 million euros. 60 projects were selected in 2017. These projects – aimed at reducing energy consumption, shifting toward renewable energies and improving the way energy consumption is tracked – could help avoid 1,800 metric tons of greenhouse gas emissions per year. LVMH decided to raise the bar even higher by doubling the amount contributed to the carbon fund in 2018, making further progress toward the LIFE program's goal of cutting energy-related emissions by 25% by 2020.

Scope 3 greenhouse gas emissions

The study carried out in 2016 into the environmental impact of producing the raw materials required to manufacture the Group's products showed that over 80% of emissions come from leather, grapes and glass. With the help of its partners, the Group is continuing with its efforts to quantify these emissions, particularly by fine-tuning how it assesses the impact of raw materials like leather, gold and cotton:

- production of raw materials: the main sources of greenhouse gas emissions are leather production (330,000 tCO_2e), winegrowing (180,000 tCO_2e, which includes vineyards belonging to Group companies as well as grape suppliers) and glass for packaging production (150,000 tCO_2e);
- inbound transport: movement of raw materials and product components to production sites. Only the main materials and components are taken into account;
- outbound transport: movement of finished products from production sites to distribution platforms.

(1) Value and change at constant scope.

Distribution of greenhouse gas emissions generated by inbound transport in 2017

(in metric tons of CO_2 equivalent)	Road	Air	Ship	Total
Wines and Spirits	9,811	849	1,022	11,682
Fashion and Leather Goods	486	7,679	6	8,171
Perfumes and Cosmetics	10,106	27,086	443	37,635
Watches and Jewelry	3	1,834	4	1,841
Selective Retailing	-	-	-	-
TOTAL	**20,406**	**37,448**	**1,475**	**59,329**

Distribution of greenhouse gas emissions generated by outbound transport in 2017

(in metric tons of CO_2 equivalent)	Road	Rail	Air	Ship	Inland barge	Electric vehicle	Total
Wines and Spirits	22,590	762	45,998	18,678	180	5	88,213
Fashion and Leather Goods	2,205	11	162,387	119	1	-	164,723
Perfumes and Cosmetics	2,590	-	206,640	1,646	-	-	210,876
Watches and Jewelry	338	-	31,552	82	-	-	31,972
Selective Retailing	3,190	-	20,879	251	-	88	24,408
TOTAL	**30,913**	**773**	**467,456**	**20,766**	**181**	**93**	**520,192**

Château Cheval Blanc, Château d'Yquem, Chaumet, DFS, Fred, Rossimoda and Les Echos did not report their data for this indicator.

4.2. ADAPTING TO CLIMATE CHANGE

The Group has also reviewed the various issues involved in adapting to climate change. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy. Several solutions are available for European vineyards depending on the extent of climate change, from altering harvest dates to developing different methods of vineyard management (wider rows, increasing the size of grapevine stocks, employing irrigation in certain countries, etc.) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §3.1, "Water consumption and supply according to local constraints"). Finally, according to current scientific knowledge, vineyards in New Zealand and western Australia are the least susceptible to climate change. Additional information is available in the "Management of financial and non-financial risks" section of the Management report of the Board of Directors, under §2.1.9, "Industrial, environmental and meteorological risks".

5. Protecting biodiversity

LVMH has a strategy in place for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which commit Group companies, between now and 2020, to buying and producing at least 70% of their core raw materials in accordance with optimum environmental standards for raw material sourcing and production sites. Choosing components for product manufacturing is an essential part of preserving the environment, especially rare resources that are vital for product manufacturing. A number of projects are underway to develop new, responsible supply channels for the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups.

LVMH was the first private-sector entity to join the eight public research bodies on the Board of Directors of the French Foundation for Research on Biodiversity (FRB). LVMH is now an official member of the FRB, with which it has been working for more than seven years. Sylvie Bénard, LVMH's Environment Director, has also served as Vice President of the Foundation's Strategic Orientation Committee for four years. As part of this committee, which brings together more than 160 stakeholders to jointly design research programs that favor biodiversity, the Group has mainly focused on accessing genetic resources and sharing the benefits resulting from their use.

The Fashion and Leather Goods and Watches and Jewelry business groups have implemented procedures to ensure that all of their products comply with CITES, a convention on international trade in endangered species. Through a system of import-export permits, this convention was set up to prevent overexploitation of certain species of endangered fauna and flora. Leather sourcing is a strategic priority, and Group companies mainly use European cowhide leather. Group companies participate in working groups such as the Leather Working Group (LWG) and Business for Social Responsibility (BSR). They work with their suppliers to improve traceability, animal well-being and the preservation of certain species. Animal well-being is one of the Group's key concerns, since it is connected to a number of raw materials including leathers, wools and furs. LVMH shares a common goal with civil society of improving animal well-being, and has been the driver of significant progress in this area. The Group has drafted formal rules that its Group companies and their suppliers must follow. The goal is to improve the quality of products used by Group companies as well as our suppliers' production methods. These rules are being gradually rolled out to all relevant suppliers. The Group has joined the Better Cotton Initiative (BCI), which has developed a standard to encourage measurable improvements in the main environmental impacts of growing cotton on a worldwide scale.

In the Perfumes and Cosmetics business group, the Research & Development Department and Group companies have been working together on ethnobotany for a number of years. They seek to identify plant species with a particular interest as components of cosmetics products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of the Group's staff with its partners. As part of this initiative, Parfums Christian Dior's Dior Gardens are plots dedicated to cultivating flowering plants chosen for their exceptional properties. Guerlain has also launched a number of partnerships focused on orchids in China, vetiver in India, honey in Ouessant in France, sandalwood in Asia and lavender from the south of France.

The Wines and Spirits business group is active in sustainable winegrowing, notably for the purposes of reducing pesticide use (see §3.4, "Soil use").

6. Consumer health and safety

LVMH's policy concerning the sensitive issue of animal testing to evaluate the safety of finished products has always been clear: its aim is to guarantee the safety of consumers who use our products while taking into account respect for animal life. For that reason, since 1989, none of the Perfumes and Cosmetics companies have conducted tests on animals for the products they put on the market, thus well in advance of the official ban on animal testing imposed by European Union legislation in 2004. Since then, the development of alternatives to animal testing has remained a genuine scientific challenge and the LVMH group will continue to be very active in its efforts to rise to this challenge.

LVMH remains particularly vigilant to ensure continuing compliance with regulatory requirements, while monitoring the opinions of scientific committees, and the recommendations of industry associations in Europe and throughout the world. Moreover, new products must abide by a set of strict internal guidelines imposed by the Group as criteria for their development. LVMH also requires that its suppliers adhere to these same guidelines.

Honoring its commitments in this area for the last several years, LVMH has accompanied this policy with an approach that aims to anticipate developments in international regulations. This anticipation is made possible thanks to the efforts of the Group's experts, who regularly take part in the working groups set up by national and European authorities, and are very active in professional organizations. Ongoing monitoring of changes in regulatory frameworks and the development of scientific knowledge by the Group's experts has regularly led LVMH to prohibit the use of some substances and make efforts to reformulate some of its products.

These high standards allow LVMH to guarantee the safety of its cosmetic products when they are released onto the market. In order to monitor the quality of their products after they are released, LVMH's brands have customer relations departments which receive any complaints from consumers for analysis, including complaints about adverse effects. This process – known as cosmetovigilance – is managed by a team of specialists who provide the Group's brands with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. A similar approach is under development in China. Such post-market surveillance makes it possible to explore new areas of research and continually improve the quality and safety of our products.

For many years, Moët Hennessy has emphasized the responsible enjoyment of its champagnes, wines and spirits. This commitment takes shape through a diverse range of initiatives aimed at its employees and customers, as well as guests and visitors to its companies.

Not only does Moët Hennessy scrupulously adhere to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, as well as following strict digital media guidelines, for example by using filters to keep underage viewers from visiting its companies' websites. Every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products, thereby promoting the responsible enjoyment of wines and spirits.

In addition, on the labels of all its wine and champagne bottles in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that give consumers information on responsible drinking, such as www.wineinmoderation.com for wines, www.responsibledrinking.eu for spirits and www.drinkaware.co.uk in the United Kingdom. Links to these websites are also available on the Group companies' websites.

Moët Hennessy continued to provide new employees with training on the importance of responsible drinking, and rolled out an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking".

Moët Hennessy is a member of the European Alcohol and Health Forum, formed under the aegis of the European Commission.

Lastly, Moët Hennessy continued to actively support responsible drinking programs around the world run by the industry associations it belongs to. In particular, Moët Hennessy is one of three "Ambassador Companies" for Wine In Moderation, an international social responsibility movement for the wine sector.

7. Independent Verifier's report on consolidated social, environmental and societal information in the Management Report

To the Shareholders,

In our capacity as an Independent Verifier accredited by COFRAC [1] (Accreditation No. 3-1050) and belonging to one of Christian Dior SE's Statutory Auditors' network, we present our report on consolidated social, environmental and societal information for the fiscal year ended December 31, 2017, as presented in the Management Report, hereafter referred to as the "CSR Information," pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the Company

It is the responsibility of the Board of Directors to establish a Management Report including the CSR Information referred to in Article R. 225-105-1 of the French Commercial Code, drawn up in accordance with the guidelines used by the Company (hereafter referred to as the "Guidelines"), which are summarized in the Management Report and available from the LVMH group's Human Resources and Environment Departments.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession and the provisions of Article L. 822-11-3 of the French Commercial Code. In addition, we have implemented a quality control system, including documented policies and procedures designed to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the Independent Verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the Management Report or, in the case of its omission, that an explanation has been provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of presence of CSR Information);
- to express a limited assurance conclusion that, taken as a whole, the CSR Information is fairly presented, in all material aspects, in accordance with the Guidelines (Limited assurance on CSR Information);

It is not our role, however, to issue an opinion on compliance with any other legal requirements that may be applicable, particularly those provided for in Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in Law No. 2016-1691 of December 9, 2016, known as the Sapin II Law (combating corruption).

Our work was undertaken by a team of three people between October 2017 and March 2018, for a period of approximately one week.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an Independent Verifier should conduct its mission, and, with regard to the limited assurance, in accordance with the ISAE 3000 international standard [2].

(1) Scope of accreditation available at www.cofrac.fr.
(2) ISAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Information.

1. Attestation of presence of CSR Information

Nature and scope of work

On the basis of interviews conducted with the management of the departments concerned, we obtained an understanding of the presentation of the Company's sustainable development strategy, which is based on the social and environmental consequences linked to the Company's activities and its societal commitments, as well as, where applicable, any resulting actions or programs.

We compared the CSR Information presented in the Management Report with the list specified in Article R. 225-105-1 of the French Commercial Code.

In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions of Article R. 225-105, Paragraph 3 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, namely the Company and its subsidiaries as construed under Article L. 233-1 of the French Commercial Code and the companies that it controls as construed under Article L. 233-3 of the same code, subject to the limits specified in the introduction to the "Human resources" and "Environment" sections of the Management Report.

Conclusion

Based on this work, and taking into consideration the limitations mentioned above, we confirm the presence of the required CSR Information in the Management Report.

2. Limited assurance on CSR Information

Nature and scope of work

We undertook approximately ten interviews with the people responsible for preparing the CSR Information at the departments in charge of the data collection process and, if applicable, the people responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, where applicable, any industry best practices;
- verify the implementation of the process for collecting, compiling, processing and verifying the CSR Information for completeness and consistency and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and verifications based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its activities' social and environmental issues, its strategy with regard to sustainable development and industry best practices.

For the CSR Information which we considered to be the most important [(3)]:

- at the level of the consolidating entity, we consulted documentary sources and conducted interviews to corroborate qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the consolidation of the information, and verified the coherence and consistency thereof with the other information presented in the Management Report;

(3) **Social information:**
Indicators (quantitative information): total headcount as of December 31 and breakdown per professional category and geographic region; voluntary and involuntary staff turnover; hiring; lost time accidents; frequency rate; severity rate; percentage of employees trained during the year; average number of days of training per employee; absence rate by reason for absence.
Qualitative information: employment (total workforce and breakdown, hiring, dismissals, compensation and related changes), work time organization, absences, labor relations (organization of labor-management dialogue, results of collective agreements), health and safety conditions in the workplace, workplace accidents, particularly frequency and severity, in addition to work-related illnesses, policies implemented with respect to training, diversity, equal opportunity and treatment (measures taken with respect to gender equality, employment and integration of disabled people and measures taken to combat discrimination), the promotion and compliance with the fundamental conventions of the ILO (freedom of association, elimination of discrimination, forced labor and child labor).
Environmental and societal information:
Indicators (quantitative information): percentage of sites certified ISO 14001 (%); total water consumption for process needs (m^3); total waste produced (metric tons); total hazardous waste (metric tons); percentage waste recovery (%); total energy consumption (MWh); total greenhouse gas emissions related to energy consumption and inbound transport (metric tons of CO_2 equivalent); total packaging that reaches customers (metric tons); Chemical Oxygen Demand after treatment (metric tons/year).
Qualitative information: general environmental policy, preventive, reduction and compensatory measures for discharges into the air, water and soil having a serious environmental impact; waste prevention, recycling and elimination measures, water consumption and water supply considering local constraints, raw material consumption and measures undertaken to enhance resource efficiency, energy consumption, measures undertaken to improve energy efficiency and to promote the use of renewable energy, release of greenhouse gases, measures undertaken to preserve biodiversity; consumer health and safety.

- at the level of the representative sample of entities that we selected [4] based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and carried out detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected represented an average of 14% of the workforce and between 49% and 76% of the quantitative environmental information presented.

For the other consolidated CSR information, we assessed its consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations provided, where applicable, in response to the partial or complete absence of certain information.

We consider that the sampling methods and sample sizes that we applied using our professional judgment allow us to formulate a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the application of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a material misstatement in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we did not identify any material misstatement that may have caused us to believe that the CSR Information, taken as a whole, has not been fairly presented in compliance with the Guidelines.

Paris-La Défense, March 16, 2018

The Independent Verifier,

French original signed by

ERNST & YOUNG et Associés

Éric Duvaud Sustainable Development Partner	**Bruno Perrin** Partner

(4) **Environmental information:** Wines and Spirits: Glenmorangie Tain (Scotland), MHCS (France), Domaine Chandon Argentina (Argentina), Belvedere (Poland); Fashion and Leather Goods: Loro Piana Quarona (Italy), Louis Vuitton Malletier Barbera (Spain), Louis Vuitton Malletier (stores, France), Fendi (Italy), Cypress Creek Farms (United States), Heng Long tanneries (China), Christian Dior Couture (Blois and Paris sites, France); Perfumes and Cosmetics: Parfums Christian Dior (Saint-Jean-de-Braye, France), Parfums Christian Dior (Pudong, China) LVMH Fragrance Brands (Group company, France), Guerlain – La Ruche (France); Watches and Jewelry: Hublot Nyon (Switzerland), Bvlgari (stores and Group company, Italy); Selective Retailing: Sephora Europe/Middle East/Asia (France), DFS (stores, Hong Kong); Other activities: Le Jardin d'Acclimatation (France).
Social information: Wines and Spirits: Hennessy (France); Fashion and Leather Goods: Louis Vuitton USA (United States), Louis Vuitton SCTA (Spain), Marc Jacobs International LLC (United States), Christian Dior Commercial Shanghai Co. Ltd (China); Perfumes and Cosmetics: Parfums Christian Dior (France), Benefit Cosmetics USA (United States); Watches and Jewelry: Bvlgari Shanghai Ltd (China); Selective Retailing: Sephora Canada (Canada), Sephora China (China), DFS Venture Singapore Pte Ltd (Singapore), Starboard Cruise Services (United States).

This is a free translation into English of the Independent Verifier's report issued in French and is provided solely for the convenience of English- speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Board of Directors' report on corporate governance

This report drawn up in accordance with the provisions of Article L. 225-37 et seq. of the French Commercial Code was approved by the Board of Directors at its meeting of February 2, 2018 and will be submitted for shareholders' approval at the Shareholders' Meeting of April 12, 2018.

1. Corporate governance

1.1. BOARD OF DIRECTORS

The Board of Directors is the strategic body of the Company which is primarily responsible for enhancing the Company's value and protecting its corporate interests. Its main missions involve the adoption of overall strategic orientations of the Company and the Group and ensuring these are implemented, the verification of the truthfulness and reliability of information concerning the Company and the Group and the overall protection of the Company's assets.

Christian Dior's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

A Charter has been adopted by the Board of Directors which outlines rules governing its membership, duties, procedures, and responsibilities.

Two committees have been established by the Board of Directors: the Performance Audit Committee and the Nominations and Compensation Committee. Each has internal rules setting forth its composition, role and responsibilities.

The Charter of the Board of Directors and the internal rules governing the committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are appended in full to this report. They are regularly revised to take into account changes in laws and regulations and good governance practices.

Pursuant to the provisions of the Charter of the Board of Directors, all Directors must bring to the attention of the Chairman of the Board any instance, even potential, of a conflict of interest that may exist between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities. They must also provide the Chairman with details of any formal judicial inquiry, fraud conviction, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court and any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated with respect to this obligation.

The Company's Bylaws require each Director to hold, directly and personally, at least 200 of its shares.

1.2. CODE OF CORPORATE GOVERNANCE – IMPLEMENTATION OF RECOMMENDATIONS

The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies for guidance. This document may be viewed on the AFEP/MEDEF website: www.afep.com.

The following table contains the Company's explanations concerning points of the AFEP/MEDEF Code with which it has not strictly complied.

Recommendation of the AFEP/MEDEF Code	Explanation
Article 8 Independent Directors §8.5.6: Not to have been a Director of the Company for more than 12 years	The Board set aside this criterion considering that length of service is not likely to cloud the critical faculties or color the judgment of the relevant Directors, given both their personality and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making.
Article 24 Compensation of senior executive officers §24.3.3: Provision specific to stock options and performance shares: resolution authorizing the plan submitted to a vote at the Shareholders' Meeting must state a sub-ceiling for options or share awards granted to senior executive officers	In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a sub-ceiling for grants of options or bonus performance share awards to senior executive officers, considering that the Nominations and Compensation Committee – which consists mostly of Independent Directors and is tasked with making proposals on the granting of options or bonus performance share awards to senior executives – ensures an adequate degree of control over the policy for the granting of options and other awards.

1.3. MEMBERSHIP AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

1.3.1. Membership

The Board of Directors has nine members who are appointed for three-year terms, as stipulated in the Bylaws.

						Board Committees	
Name	**Nationality**	**Age as of 12/31/2017**	**Mandat Office held**	**Date of first appointment**	**End of term**	**Performance Audit Committee**	**Nominations and Compensation Committee**
Bernard ARNAULT	French	68	Chairman of the Board of Directors	03/20/1985	2020		
Delphine ARNAULT	French	42	Director	04/05/2012	2018		
Nicolas BAZIRE	French	60	Director	07/26/2017	2019	Member	Member
Hélène Canadian DESMARAIS	Canadian	62	Director	04/05/2012	2018		Chairman
Renaud French DONNEDIEU de VABRES	French	63	Director	02/05/2009	2019	Member	
Ségolène GALLIENNE	Belgian	40	Director	04/15/2010	2019		
Christian de LABRIFFE	French	70	Director	05/14/1986	2019	Chairman	Member
Maria Luisa LORO PIANA	Italian	56	Director	04/13/2017	2020		
Sidney TOLEDANO	French	66	Chief Executive Officer and Director, Vice-Chairman of the Board of Directors	09/11/2002	2020		

1.3.2. Changes in membership of the Board of Directors

The following table summarizes the changes in membership of the Board of Directors during fiscal year 2017.

Name	**Change**	**Date**
Bernard ARNAULT	Renewal of his term of office as Director and as Chairman of the Board of Directors	April 13, 2017
Nicolas BAZIRE	Co-optation as a Director	July 26, 2017
Denis DALIBOT	Resignation as a Director	April 13, 2017
Pierre GODÉ	Term of office as Director not renewed	April 13, 2017
	Appointment as an Advisory Board member	April 13, 2017
Maria Luisa LORO PIANA	Appointment as a Director	April 13, 2017
Sidney TOLEDANO	Renewal of his term of office as Director, Vice-Chairman of the Board of Directors and Chief Executive Officer	April 13, 2017

To make the renewal of Directors' appointments as egalitarian as possible, and in any event to make them complete for each three-year period, the Board of Directors set up a system of rolling renewals that has been in place since 2010.

At its meeting of February 2, 2018, the Board of Directors (i) considered the terms of office of Delphine Arnault and Hélène Desmarais as Directors, which end at the close of the Shareholders' Meeting of April 12, 2018, as well as that of Nicolas Bazire, who was co-opted to the Board at its meeting of July 26, 2017 to replace Denis Dalibot who had resigned, and (ii) decided to submit a resolution at said Shareholders' Meeting to renew the terms of office of Delphine Arnault and Hélène Desmarais as Directors and to ratify the co-optation of Nicolas Bazire as Director.

During the meeting, the Board examined Jaime de Marichalar y Sáenz de Tejada's term of office as Advisory Board member and decided to submit a resolution at said Shareholders' Meeting to renew his term of office.

Owing to the sale of the Christian Dior Couture segment to LVMH SE, the Company no longer falls under the purview of the provisions on the representation of employees on the Board of Directors; the Company was previously eligible for the exemption applicable to holding companies and was therefore not subject to the requirement to appoint Directors representing employees.

Subject to decisions made at the Shareholders' Meeting of April 12, 2018, the Board of Directors will thus consist of nine members: Delphine Arnault, Hélène Desmarais, Ségolène Gallienne, Maria Luisa Loro Piana, Bernard Arnault, Nicolas Bazire, Renaud Donnedieu de Vabres, Christian de Labriffe and Sidney Toledano.

The Directors' personal details are presented in §1.4 of this report.

Since each gender is represented by at least 40% of Board members, the composition of the Board will continue to comply with the provisions of the French Commercial Code relating to gender equality on boards of directors.

Bernard Arnault (Chairman of the Board of Directors) and Sidney Toledano (Chief Executive Officer) do not hold more than two directorships in non-Group listed companies, including foreign companies.

1.3.3. Independence

During its meeting of February 2, 2018, the Board of Directors reviewed the status of each Director currently in office, in particular with respect to the independence criteria defined in Articles 8.5 to 8.7 of the AFEP/MEDEF Code, and set out below.

Criterion 1: not to be and not to have been during the course of the previous five years an employee or senior executive officer of the Company, or an employee, senior executive officer or a Director of a company that it consolidates, or of its parent company or a company consolidated by this parent.

Criterion 2: not to be a senior executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a senior executive officer of the Company (currently in office or having held such office during the last five years) is a Director.

Criterion 3: not to be a customer, supplier, commercial banker or investment banker that is material to the Company or its group or for a significant part of whose business the Company or its group accounts.

Criterion 4: not to be related by close family ties to a company officer.

Criterion 5: not to have been an auditor of the Company within the previous five years.

Criterion 6: not to have been a Director of the Company for more than 12 years.

Criterion 7: not to receive variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or Group.

Criterion 8: not to represent shareholders with a controlling interest in the Company.

At the end of this review, the Board of Directors took the view that:

(i) Hélène Desmarais satisfies all criteria;

(ii) Ségolène Gallienne should be considered an Independent Director notwithstanding her term of office on the Board of Directors of Château Cheval Blanc. In this case, the Board has set aside the recommendation of the AFEP/MEDEF Code with regard to the business relations resulting from the joint and equal ownership of Château Cheval Blanc by the LVMH group and the Frère-Bourgeois group, of which she is a Director, considering that these relations are not material in view of the size of the two groups and are not likely to call into question her independence;

(iii) Renaud Donnedieu de Vabres should be considered an Independent Director notwithstanding his membership on the Board of Directors of La Fondation d'Entreprise Louis Vuitton, a non-profit institution intended to pursue cultural public interest initiatives not falling within the scope of application of the AFEP/MEDEF Code, which only applies to offices held in companies. Furthermore, he is not paid any compensation for this position;

(iv) Christian de Labriffe should be considered an Independent Director notwithstanding his membership on the Board of Directors of the Company for more than 12 years and his term of office on the Board of Directors of Christian Dior Couture, consolidated by Christian Dior, no compensation being paid to him for this appointment at Christian Dior Couture. His length of service is not likely to cloud his critical thinking or color his judgment, given both his personality and his current personal and professional circumstances. Moreover, his in-depth knowledge of the Group is a major asset during key strategic decision-making.

Subject to decisions made at the Shareholders' Meeting of April 12, 2018, four out of the nine Directors who make up the Board of Directors are thus considered to be independent and to hold no interests in the Company. They represent 44% of the Board's membership.

The table below summarizes the independence evaluations for Directors following the Board of Directors' review of February 2, 2018 of the criteria for independence.

Name	AFEP/MEDEF criteria [(a)]								Independent Director [(b)]
	1	2	3	4	5	6	7	8	
Bernard ARNAULT			X		X				No
Delphine ARNAULT		X	X		X	X			No
Nicolas BAZIRE		X	X	X	X	X		X	No
Hélène DESMARAIS	X	X	X	X	X	X	X	X	Yes
Renaud DONNEDIEU DE VABRES	X	X	X	X	X	X	X	X	Yes
Ségolène GALLIENNE	X	X	X	X	X	X	X	X	Yes
Christian de LABRIFFE		X	X	X	X		X	X	Yes [(b)]
Maria Luisa LORO PIANA		X	X	X	X	X	X	X	No
Sidney TOLEDANO			X	X	X			X	No

(a) See §1.2 above for details of how the Company applies the independence criteria laid down in the AFEP/MEDEF Code.
(b) According to the criteria applied by the Company.

1.3.4. Operating procedures

- Over the course of the 2017 fiscal year, the Board of Directors met six times as convened by its Chairman. The average attendance rate for Directors at these meetings was 76.5%.

  The Board approved the consolidated and parent company financial statements for the fiscal year from July 1, 2016 to December 31, 2016. It reviewed the Company's consolidated financial statements for the calendar year 2016, which did not correspond to any formal accounting period for the Company, given that the Company's fiscal year formerly began on July 1 and ended on June 30 of the subsequent year. It approved the half-year consolidated financial statements and reviewed quarterly activity. It also issued its opinion on the compensation of senior executive officers and renewed the terms of office of the Chairman of the Board of Directors and the Chief Executive Officer, who is also the Vice-Chairman, and co-opted Nicolas Bazire, a new Director, to replace Denis Dalibot, who had resigned.

  In addition, the Board of Directors apprised itself of the plan to simplify the structures of the Christian Dior-LVMH group, greeted favorably the proposed public offer for Christian Dior shares not already held by Semyrhamis and other members of the Arnault Family Group, and deemed that the plan to sell the Christian Dior Couture segment to LVMH SE was in the corporate interest. In accordance with its Charter and the AMF's General Regulation, the Board of Directors (i) appointed Cabinet Finexsi as independent expert appraiser to issue a report on the financial terms of the public offer and an opinion on the fairness of the financial terms of the proposed sale and (ii) set up an ad hoc committee consisting of Hélène Desmarais, Renaud Donnedieu de Vabres and Christian de Labriffe, responsible for overseeing the independent expert appraiser's work and for issuing an opinion prior to any decisions that the Board of Directors would have to make in respect of the proposed offer and the proposed sale. After apprising itself of the work performed by Cabinet Finexsi, and having considered the opinions of the ad hoc committee on the proposed Offer, and on the proposed sale of the Christian Dior Couture segment, the Board of Directors: (i) decided that the Offer was in the best interest of the Company and its shareholders, (ii) considered that the terms of the Offer were fair, and (iii) recommended that shareholders tender their shares to the Offer, and secondly authorized the execution of the agreement to sell the Christian Dior Couture segment and the vendor loan specified in the aforementioned agreement.

  It renewed the authorizations granted to (i) the Chief Executive Officer to give sureties, collateral and guarantees to third parties and (ii) the Chairman and the Chief Executive Officer to issue bonds.

  It reviewed previously authorized regulated agreements that remained in effect during the fiscal year.

  The Board of Directors also conducted an evaluation of its capacity to meet the expectations of shareholders, reviewing its membership, its organization, and its procedures.

  It also revised (i) the internal rules of the Performance Audit Committee in order to bring its remit in line with the new regulatory provisions and to amend the procedures for appointing the Committee's Chairman as well as the length of his/her term of office and (ii) the internal rules of the Nominations and Compensation Committee, expanding its remit to include selecting and reappointing the Chairman of the Performance Audit Committee. The Committee also renewed the appointment of the Chairman of the Performance Audit Committee. It also made changes to the membership of the Performance Audit Committee and the Nominations and Compensation Committee.

- At its meeting of January 24, 2018, the Board of Directors reviewed the terms of Sidney Toledano's medium-term incentive plan for 2014 to 2017. Acting on a proposal from the Nominations and Compensation Committee, it decided to liquidate this plan and to allocate the funds to compensation and bonus shares.
- At its meeting of February 2, 2018, the Board of Directors reviewed its composition, organization and modus operandi. The Board concluded that its composition is balanced with regard to the proportion of Independent Directors, given the ownership of the Company's share capital, and with regard to the diversity and complementarity of its members' expertise and experience.

  The Board noted that:

  - overall, the Directors are satisfied with the frequency of Board meetings and the quality of the information provided on such topics as strategic guidelines, current business activity, the financial statements, the budget and the three-year plan,
  - Directors' attendance, although lower than the level observed during the six-month fiscal year ended December 31, 2016, remained high,
  - the gender balance, presence of non-French nationals and the Directors' areas of expertise ensure a wide range of approaches and views, as is essential to a global group,
  - the Board is fulfilling its role with respect to its missions and objectives of increasing the Company's value and protecting its interests,
  - overall, the Directors have no observations on the amount or the rules for allocating directors' fees or the minimum number of shares that each Director must hold; this is also the case regarding the composition of the two Committees and the quality of their work.

The Board of Directors also reviewed the Group's policy of preparing itself for future economic and financial developments.

1.4. TERMS OF OFFICE OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES; STATUTORY AUDITORS

1.4.1. List of positions and offices held by members of the Board of Directors

Currently serving Directors

Bernard ARNAULT, Chairman of the Board of Directors

Date of birth: March 5, 1949.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Number of Christian Dior shares held in a personal capacity: 139,744 shares.

Bernard Arnault began his career as an engineer with Ferret-Savinel, where he became Senior Vice-President for construction in 1974, Chief Executive Officer in 1977 and finally Chairman and Chief Executive Officer in 1978.

He remained with the company until 1984, when he became Chairman and Chief Executive Officer of Financière Agache and of Christian Dior. Shortly thereafter, he spearheaded a reorganization of Financière Agache following a development strategy focusing on luxury brands. Christian Dior was to become the cornerstone of this new structure.

In 1989, he became the leading shareholder of LVMH Moët Hennessy - Louis Vuitton, and thus created the world's leading luxury products group. He has served as its Chairman and Chief Executive Officer since January 1989.

Current positions and offices

Christian Dior group

France	Christian Dior SE [a]	Chairman of the Board of Directors
	Financière Jean Goujon SAS	Member of the Supervisory Committee
	LVMH Moët Hennessy - Louis Vuitton SE [a]	Chairman and Chief Executive Officer
	Christian Dior Couture SA	Director
	Château Cheval Blanc SC	Chairman of the Board of Directors
	Louis Vuitton, Fondation d'Entreprise	Chairman of the Board of Directors
International	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Director
	LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan)	Director
	LVMH Services Limited (United Kingdom)	Director

(a) Listed company.

Groupe Arnault

France	Groupe Arnault SEDCS	Chairman of the Executive Board

Other

France	Carrefour SA [(a)]	Director

Positions and offices that have ended since January 1, 2013

France	Christian Dior SE [(a)]	Chief Executive Officer
	Groupe Arnault SAS	Chairman
International	LVMH International SA (Belgium)	Director

Sidney TOLEDANO, Vice-Chairman and Chief Executive Officer

Date of birth: July 25, 1951.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Number of Christian Dior shares held in a personal capacity: 88,444 shares.

Sidney Toledano began his career in 1977 as a marketing consultant with Nielsen International. He then served as Company Secretary of Kickers before joining the Executive Management of Lancel in 1984. He joined Christian Dior Couture in 1994 as Director Deputy Chief Executive Officer. He served as its Chairman and Chief Executive Officer until January 31, 2018. Since then he has been Chairman of LVMH's Fashion Group.

Positions and offices as of December 31, 2017

Christian Dior group

France	Christian Dior SE [(a)]	Vice-Chairman, Chief Executive Officer and Director
	Christian Dior Couture SA	Chairman and Chief Executive Officer
	John Galliano SA	Chairman of the Board of Directors
	JP SAS	Chairman
	IDMC Manufacture SAS	Permanent Representative of Christian Dior Couture SA, Chairman
International	CDCH SA (Luxembourg)	Chairman of the Board of Directors
	Christian Dior Australia Pty Ltd (Australia)	Director
	Christian Dior Belgique SA (Belgium)	Permanent Representative of Christian Dior Couture SA, Director delegate
	Christian Dior Commercial (Shanghai) Co. Ltd (China)	Chairman
	Christian Dior Couture CZ s.r.o. (Czech Republic)	Managing Director
	Christian Dior Couture Korea Ltd (South Korea)	Director delegate
	Christian Dior Couture Maroc SA (Morocco)	Chairman of the Board of Directors
	Christian Dior Far East Limited (Hong Kong, China)	Director
	Christian Dior Fashion Sdn Bhd (Malaysia)	Director
	Christian Dior GmbH (Germany)	Managing Director
	Christian Dior Guam Ltd, Corporation (Guam)	Director
	Christian Dior Hong Kong Ltd (Hong Kong, China)	Director
	Christian Dior Inc., Corporation (United States)	Chairman
	Christian Dior Italia Srl (Italy)	Chairman
	Christian Dior KK (Kabushiki Kaisha) (Japan)	Director
	Christian Dior Macau (Macao)	Director
	Christian Dior New Zealand Ltd (New Zealand)	Director
	Christian Dior S. de R.L. de C.V. (Mexico)	Chairman
	Christian Dior Saipan Ltd, Corporation (Saipan)	Director
	Christian Dior Singapore Pte Ltd (Singapore)	Director

(a) Listed company.

	Christian Dior UK Limited (United Kingdom)	Chairman
	Christian Dior Taiwan Limited (Hong Kong, China)	Director
	Christian Dior Vietnam LLC (Vietnam)	Chairman
	Gorgias SA (Luxembourg)	Director
	Les Ateliers Horlogers Dior SA (Switzerland)	Director
	Manufactures Dior Srl (Italy)	Director

Positions and offices that have ended since January 1, 2013

France	Christian Dior SE [(a)]	Group Managing Director
International	Fendi SA (Luxembourg)	Director
	Fendi Srl (Italy)	Director
	FNLB BV (Netherlands)	Chairman
	Manufactures Dior Srl (Italy)	Chairman of the Board of Directors

Renaud DONNEDIEU de VABRES

Date of birth: March 13, 1954.
Business address: 50, rue de Bourgogne – 75007 Paris (France).
Number of Christian Dior shares held in a personal capacity: 200 shares.

After serving in the prefectural administration as a sub-prefect, Renaud Donnedieu de Vabres was appointed as a member of France's highest administrative body, the Council of State, and embarked on a political career in 1986, notably serving as an aide to the Minister of Defense. He was elected as a deputy to the National Assembly representing the Indre-et-Loire département in 1997 and remained in this post until 2007. In 2002, he was appointed as Minister Delegate for European Affairs and then as Minister of Culture and Communication, from 2004 to 2007. In 2008, he was named the Ambassador for Culture during the French presidency of the European Union. He is now Chairman of the company RDDV Partner.

Current positions and offices

Christian Dior group

France	Christian Dior SE [(a)]	Director, Member of the Performance Audit Committee
	Louis Vuitton, Fondation d'Entreprise	Director

Other

France	RDDV Partner SAS	Chairman

Positions and offices that have ended since January 1, 2013

France	Atout France GIE	Chairman of the Board of Directors
	FPPM L'Européenne de Marbre	Chairman of the Supervisory Committee
	La Royale SAS	Chief Executive Officer

Ségolène GALLIENNE

Date of birth: June 7, 1977.
Business address: 17 allée des Peupliers – 6280 Gerpinnes (Belgium).
Number of Christian Dior shares held in a personal capacity: 200 shares.

Ségolène Gallienne holds a Bachelor of Arts in Business and Economics from Collège Vesalius in Brussels. She has worked as Public Relations Manager at Belgacom and as Director of Communications for Dior Fine Jewelry.

She currently serves on the Boards of Directors of various companies, in France and abroad, and is Chairman of the Board of Directors of Diane, a company specializing in the purchase, sale and rental of art objects.

(a) Listed company.

Current positions and offices

Christian Dior group

France	Christian Dior SE [(a)]	Director
	Château Cheval Blanc SC	Director

Other

France	Cheval Blanc Finance SAS	Director
International	Compagnie Nationale à Portefeuille SA (Belgium)	Director
	Esso SDC (Belgium)	Managing Director
	Diane SA (Switzerland)	Chairman of the Board of Directors
	Domaine Frère Bourgeois SA (Belgium)	Director
	Erbé SA (Belgium)	Director
	Frère Bourgeois SA (Belgium)	Director
	Fonds Charles Albert Frère ASBL (Belgium)	Director
	Groupe Bruxelles Lambert SA (Belgium) [(a)]	Director and member of the Standing Committee
	Pargesa Holding SA (Switzerland) [(a)]	Director
	Stichting Administratiekantoor Frère-Bourgeois (Netherlands)	Director
	Stichting Administratiekantoor Peupleraie (Netherlands)	Chairman of the Board of Directors

Positions and offices that have ended since January 1, 2013

None.

Christian de LABRIFFE

Date of birth: March 13, 1947.
Business address: Tikehau/Salvepar – 32, rue de Monceau – 75008 Paris (France).
Number of Christian Dior shares held in a personal capacity: 200 shares.

Christian de Labriffe began his career with Lazard Frères & Cie, where he was Managing Partner from 1987 to 1994. He then served as Managing Partner of Rothschild & Cie Banque until September 2013, then Chairman and Chief Executive Officer of Salvepar until March 31, 2017. Lastly, he has served as Chairman of the Supervisory Board of Tikehau Capital since March 31, 2017.

Current positions and offices

Christian Dior group

France	Christian Dior SE [(a)]	Director, Chairman of the Performance Audit Committee and Member of the Nominations and Compensation Committee
	Christian Dior Couture SA	Director

Other

France	Bénéteau SA [(a)]	Permanent representative of Parc Monceau SARL, Advisory Board member
	DRT SA	Permanent representative of Salvepar SA, Director
	Parc Monceau SARL	Managing Director
	TCA Partnership SAS	Chairman
	Tikehau Capital SCA	Member of the Supervisory Board
	Fondation Nationale des Arts Graphiques et Plastiques	Director

(a) Listed company.

Positions and offices that have ended since January 1, 2013

France	Bénéteau SA [(a)]	Member of the Supervisory Board
	Delahaye Passion SC	Managing Director
	Financière Rabelais SAS	Chairman
	HDL Développement SAS	Permanent representative of Salvepar SA, Director
	Montaigne Rabelais SAS	Permanent Representative of Rothschild & Compagnie Banque SCS, Chairman
	Paris Orléans SA	Member of the Supervisory Board
	RCB Partenaires SNC	Managing Partner
	Rothschild & Cie SCS	Managing Partner
	Salvepar SA [(a)]	Chairman and Chief Executive Officer
	Transaction R SCS	Managing Partner

Maria Luisa LORO PIANA

Date of birth: November 15, 1961.
Business address: Loro Piana SpA – Via per Valduggia 22 – 13011 Borgosesia (VC) (Italy).
Number of Christian Dior shares held in a personal capacity: 200 shares.

Maria Luisa Decol Loro Piana was born and grew up in Venice. After living in London for a number of years, she worked for Krizia, initially in the press department and later on the product team. After meeting Sergio Loro Piana, she worked with him for over 20 years to successfully create and position the Loro Piana brand, opening more than 100 stores worldwide.

She is currently a Director of Loro Piana SpA, as well as an ambassador for the company's brand and image.

Current positions and offices

Christian Dior group

France	Christian Dior SE [(a)]	Director
Italy	Loro Piana SpA	Director

Other

Italy	Palma Società Semplice	Partner and Director
	Sergio Loro Piana Foundation	Director

Positions and offices that have ended since January 1, 2013

None.

(a) Listed company.

Ratification of the appointment of a Director co-opted to the Board

Nicolas BAZIRE

Date of birth: July 13, 1957.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Number of Christian Dior shares held in a personal capacity: 200 shares.

Nicolas Bazire became Chief of Staff of Prime Minister Edouard Balladur in 1993. He was Managing Partner at Rothschild & Cie Banque between 1995 and 1999 and has served as Managing Director of Groupe Arnault SEDCS since 1999.

Current positions and offices

Christian Dior group

France	Christian Dior SE [a]	Director, member of the Performance Audit Committee and member of the Nominations and Compensation Committee
	LVMH Moët Hennessy - Louis Vuitton SE [a]	Director
	Groupe Les Echos SA	Director
	Les Echos SAS	Vice-Chairman of the Supervisory Board, Chairman of the Compensation Committee and Member of the Appointments Committee
	Louis Vuitton Malletier SA	Permanent representative of Ufipar, Director
	LV Group SA	Director and Member of the Compensation Committee
	Louis Vuitton, Fondation d'Entreprise	Director

Groupe Arnault

France	Agache Développement SA	Director
	Europatweb SA	Director
	Financière Agache SA	Managing Director and Permanent Representative of Groupe Arnault, Director
	GA Placements SA	Permanent Representative of Montaigne Finance, Director
	Groupe Arnault SEDCS	Chief Executive Officer
	Montaigne Finance SAS	Member of the Supervisory Committee
	Semyrhamis SA	Non-Director Managing Director and Permanent Representative of Groupe Arnault, Director

Other

France	Atos SE [a]	Director and Chairman of the Nominations and Compensation Committee
	Carrefour SA [a]	Director, Member of the Accounts Committee, the Nominations Committee and the Strategy Committee
	Suez SA [a]	Director, Member of the Audit and Accounts Committee, the Nominations and Governance Committee and the Strategy Committee
International	Société des Bains de Mer de Monaco SA [a] (Principality of Monaco)	Permanent representative of Ufipar, Director and Rapporteur to the Finance and Audit Commission

Positions and offices that have ended since January 1, 2013

France	Financière Agache Private Equity SA	Director

(a) Listed company.

Directors whose terms of office are proposed for renewal at the Shareholders' Meeting

Delphine ARNAULT

Date of birth: April 4, 1975.
Business address: Louis Vuitton Malletier – 2, rue du Pont-Neuf – 75001 Paris (France).
Number of Christian Dior shares held in a personal capacity: 250,927 shares.

Delphine Arnault began her career at international strategy consultancy firm McKinsey, where she worked as a consultant for two years. In 2000, she moved to designer John Galliano's company, which she helped develop, acquiring hands-on experience in the fashion industry. In 2001, she joined the Executive Committee of Christian Dior Couture, where she served as Deputy Managing Director until August 2013. Since September 2013, she has been Executive Vice President of Louis Vuitton, in charge of supervising all of Louis Vuitton's product-related activities.

Current positions and offices

Christian Dior group

France	Christian Dior SE [a]	Director
	LVMH Moët Hennessy - Louis Vuitton SE [a]	Director and Member of the Ethics and Sustainable Development Committee
	Céline SA	Director
	Christian Dior Couture SA	Director
	Château Cheval Blanc SC	Director
International	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Loewe SA (Spain)	Director

Other

France	Havas SA [a]	Director
	Métropole Télévision "M6" SA [a]	Member of the Supervisory Board
International	21st Century Fox Corporation (United States) [a]	Director
	Actar International SA Luxembourg (Luxembourg)	Permanent representative of Ufipar, Director
	Ferrari SpA (Italy) [a]	Director

Positions and offices that have ended since January 1, 2013

France	Les Echos SAS	Member of the Supervisory Board

(a) Listed company.

Hélène DESMARAIS

Date of birth: June 7, 1955.
Business address: Centre d'Entreprises et d'Innovation de Montréal (CEIM) – 751 square Victoria – Montreal (Quebec) H2Y 2J3 (Canada).
Number of Christian Dior shares held in a personal capacity: 200 shares.

Hélène Desmarais has been Chairman and Chief Executive Officer of Centre d'Entreprises et d'Innovation de Montréal, the biggest technology enterprise incubator in Canada, since it was founded in 1996. She holds directorships in a large number of companies and organizations in both the public and private sectors and has led initiatives in the areas of economics, education and healthcare. Ms. Desmarais is Chairman of the Boards of Directors of HEC Montréal (Hautes Études Commerciales de Montréal) and the Montreal Economic Institute. She also serves as Director of Garda World Security Corporation and is a member of the Board of Governors of the International Economic Forum of the Americas.

Current positions and offices

Christian Dior group

France	Christian Dior SE [(a)]	Director, Chairman of the Nominations and Compensation Committee
	Christian Dior Couture SA	Director

Other

Canada	Centre d'Entreprises et d'Innovation de Montréal (CEIM)	Founder and Chairman of the Board of Directors
	C.D. Howe Institute	Director
	Garda World Security Corporation	Director and Member of the Verification Committee and the Corporate Governance Committee
	International Economic Forum of the Americas	Member of the Board of Governors and Chairman of the Strategic Orientation Committee
	Hautes Études Commerciales de Montréal (HEC Montreal)	Chairman of the Board of Directors
	Institute for Governance of Private and Public Organizations	Founder and Director
	PME MTL Centre-Ville	Founder and Chairman of the Board of Directors

Positions and offices that have ended since January 1, 2013

Canada	Société de développement économique Ville-Marie (SDÉVM)	Founder and Chairman of the Board of Directors

(a) Listed company.

1.4.2. Statutory Auditors

Principal Statutory Auditors

	Start date of first term	Current term: Date of appointment/ renewal	Current term: End of term
ERNST & YOUNG et Autres 1-2, place des Saisons – 92400 Courbevoie – Paris la Défense 1 (France) represented by Jeanne Boillet	May 14, 2009 [(a)]	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018
MAZARS Tour Exaltis, 61, rue Henri Regnault – 92400 Courbevoie (France) represented by Simon Beillevaire	May 15, 2003	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018

(a) The Ernst & Young network has been a Statutory Auditor of Christian Dior since 1997.

Alternate Statutory Auditors

AUDITEX 1-2, place des Saisons – 92400 Courbevoie – Paris la Défense 1 (France)	May 14, 2009	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018
Gilles Rainaut Tour Exaltis, 61, rue Henri Regnault – 92400 Courbevoie (France)	December 19, 2013	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018

1.5. EXECUTIVE MANAGEMENT

At its meeting of April 13, 2017, the Board of Directors reappointed Bernard Arnault as Chairman of the Board of Directors and Sidney Toledano as Chief Executive Officer and also Vice-Chairman.

Pursuant to regulatory provisions applicable to the holding of multiple appointments, the Board of Directors decided not to modify the choice it had made to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. It did not limit the powers vested in the Chief Executive Officer.

The balance of powers within the Board of Directors is ensured by the provisions of the Charter of the Board of Directors and the rules governing the two committees formed by it, which specify the duties of each of those Committees.

The Charter of the Board of Directors states that the role of the Board of Directors is to define the overall strategic direction of the Company and to approve any significant transactions falling outside the scope of the strategic direction set by the Board of Directors.

The Board of Directors may also establish one or more ad hoc committees for specific or important matters. In addition, independent Directors may meet separately from the other members of the Board of Directors.

The balance is also maintained by the membership of the Board of Directors and of its various committees. At least one-third of the Board's members are Independent Directors.

1.6. PERFORMANCE AUDIT COMMITTEE

The main tasks of the Performance Audit Committee are the monitoring of the process of preparing financial information, the effectiveness of internal control and risk management procedures, as well as the statutory audit of the individual company and consolidated financial statements by the Statutory Auditors. The Committee oversees the procedure for the selection of Statutory Auditors and ensures their independence.

The Committee consists of three members appointed by the Board of Directors: Christian de Labriffe (Chairman), who served as Managing Partner at Lazard Frères & Cie and at Rothschild & Cie Banque; Renaud Donnedieu de Vabres, who has held high public office; and Nicolas Bazire, LVMH's Senior Vice-President for Development and Acquisitions and Chief Executive Officer of Groupe Arnault. Given their professional experience (see also §1.4 "List of positions and offices held by members of the Board of Directors" above) and their familiarity with financial and accounting procedures applicable to corporate groups, each of these three members is qualified to fulfill their responsibilities.

The Performance Audit Committee met three times in fiscal year 2017, with all of its members in attendance. At these meetings, the Audit Committee members were able to discuss matters with the Statutory Auditors without any members of the Company's Executive Management or its Chief Financial Officer's department in attendance.

The meetings to review the financial statements were held in sufficient time before the review of the financial statements by the Board of Directors. These meetings were also attended by the Statutory Auditors, the Chief Financial Officer, the Deputy Chief Financial Officer, the Company's Accounting Director, and the Deputy Chief Financial Officer of LVMH.

On the basis of presentations made by Christian Dior's Chief Financial Officer, the work of the Performance Audit Committee covered the following areas: the process for the preparation and publication of financial information; a review of the Group's operations; a review of significant financial transactions of the Company; a detailed review of the parent company and consolidated financial statements for the six-month fiscal year ended December 31, 2016 and the half-year financial statements as of June 30, 2017; a review of the consolidated financial statements and reports on the Group's operations for the period from January 1 to December 31, 2016; an assessment of the Group's exposure to risk, risk management procedures and off-balance sheet commitments; and the Christian Dior share repurchase program. The Committee also verified the independence of the Statutory Auditors and monitored the statutory audit of Christian Dior's parent company and consolidated financial statements, on the basis of presentations and summary reports by the Statutory Auditors; the Committee met several times with the Statutory Auditors, without any members of the Group's Executive Management in attendance. The Statutory Auditors also submitted to the Performance Audit Committee, pursuant to the audit reform and concerning, for the first time, the fiscal year from July 1, 2016 to December 31, 2016, the additional report on the scope of and timetable for the work to be performed by the Statutory Auditors, the materiality thresholds above which anomalies are reported, the approach by subsidiary to the audit of the consolidated financial statements, the principal risks and points requiring attention identified during the audit, and the accounting adjustments made by the Statutory Auditors.

Furthermore, the Performance Audit Committee held a meeting specifically dedicated to monitoring the effectiveness of internal control and risk management and internal audit systems at LVMH and Christian Dior Couture, which was notably attended by this company's Chief Financial Officer and Internal Audit Manager, as well as LVMH's Audit and Internal Control Director.

As part of the review of the parent company and consolidated financial statements, the Statutory Auditors gave a presentation covering, in particular, internal control, major events, and the main audit issues identified and accounting treatments adopted.

It was given the Statutory Auditors' independence declaration as well as the amount of the fees paid to the Statutory Auditors' network by companies controlled by the Company or the entity that controls it, in respect of services not directly related to the Statutory Auditors' engagement, and was informed of the services provided in respect of work directly related to the Statutory Auditors' engagement.

1.7. NOMINATIONS AND COMPENSATION COMMITTEE

The main responsibilities of the Nominations and Compensation Committee are to issue:

- proposals on compensation, benefits in kind, bonus share awards and share subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company, as well as on the apportionment of directors' fees paid by the Company;
- opinions on candidates for the positions of Director, Advisory Board member or member of the Executive Management of the Company.

The Committee consists of three members appointed by the Board of Directors: Hélène Desmarais (Chairman), Nicolas Bazire, and Christian de Labriffe.

The Committee met twice in fiscal year 2017, with all of its members in attendance. The items of business handled in these meetings included (i) the review of the fixed compensation to be granted to Sidney Toledano by Christian Dior Couture in his capacity as its Chairman and Chief Executive Officer, (ii) the review of the criteria established for determining the variable compensation to be granted to Sidney Toledano by Christian Dior Couture in his capacity as its Chairman and Chief Executive

Officer, (iii) an evaluation of his performance with respect to the quantifiable and qualitative targets set, (iv) the drafting of an opinion on his variable compensation for 2016 as well as his fixed compensation for 2017 and his benefits in kind in respect of his appointment as Chairman and Chief Executive Officer of Christian Dior Couture, and (v) the examination of the apportionment of directors' fees paid to Directors and Advisory Board members during fiscal year 2016.

In addition, the Committee issued an opinion on the status of all members with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code. It issued an opinion (i) on the renewal of the terms of office of Directors ending at the close of the Shareholders' Meeting of April 13, 2017, (ii) on the reappointment of the Chairman of the Board of Directors and of the Chief Executive Officer, and (iii) on candidacies for appointments as Directors or Advisory Board members.

After the approval of Christian Dior Couture's financial statements for the fiscal year ended December 31, 2017, it reviewed this company's financial performance, with special attention paid to its profit from recurring operations and the increase in the appeal of the Christian Dior brand and its market share, and it issued an opinion on the liquidation of Sidney Toledano's medium-term incentive plan for 2014 to 2017 and the allocation of the funds to compensation and bonus shares.

Prior to the Board meeting of February 2, 2018, the Committee reviewed in particular the Company's compensation policy for senior executive officers. It conducted a review of the fixed compensation of the senior executive officers, with the Chairman of the Board of Directors having waived any payment of fixed compensation and variable compensation for 2018, and issued an opinion on the Chief Executive Officer's fixed compensation for 2018. It was informed of the annual fixed compensation due to the Chief Executive Officer paid by LVMH and reviewed the criteria established for determining the amount of the variable compensation to be granted to him by that company in respect of 2018. It also issued recommendations, including concerning Sidney Toledano's variable compensation in respect of 2017 in his capacity as Chairman and Chief Executive Officer of Christian Dior Couture.

In addition, it reviewed all the terms of office ending in 2018 and issued a favorable opinion on the renewal of the terms of office of Delphine Arnault and Hélène Desmarais as Directors and of Jaime de Marichalar y Sáenz de Tejada as Advisory Board member.

1.8. VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

The Vice-Chairman is responsible for chairing the meetings of the Board of Directors or the Shareholders' Meeting in the absence of the Chairman of the Board of Directors. Sidney Toledano has been Vice-Chairman of the Board of Directors since December 1, 2015.

1.9. ADVISORY BOARD

1.9.1. Membership and operating procedures

Advisory Board members are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from among the shareholders on the basis of their competencies. Under the Bylaws, they are appointed for three-year terms.

They are invited to meetings of the Board of Directors and are consulted for decision-making purposes, but do not have a vote. They may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also elicit their opinion on subjects falling within the scope of their respective expertise. Their absence does not affect the validity of the Board of Directors' proceedings.

Subject to decisions made at the Shareholders' Meeting of April 12, 2018, the Company currently has one Advisory Board member, Jaime de Marichalar y Sáenz de Tejada, whose extensive knowledge of the Group and the global luxury goods market represents a valuable asset for decision-making.

Composition of the Advisory Board

Name	Nationality	Age as of 12/31/2017	Date of first appointment	Renewal of the term of office
Jaime de MARICHALAR y SÁENZ de TEJADA	Spanish	54	05/11/2006 (a)	2018

(a) Date of first appointment to the Board of Directors.

1.9.2. Advisory Board members

Terms of office proposed for renewal

Jaime de MARICHALAR y SÁENZ de TEJADA

Date of birth: April 7, 1963.
Business address: SGIE – CC Plaza Norte 2, Plaza del Commercio – 28703 San Sebastián de los Reyes – Madrid (Spain).
Number of Christian Dior shares held in a personal capacity: 150 shares.

Jaime de Marichalar y Sáenz de Tejada began his career in 1986 in Paris where he worked for Banque Indosuez on the MATIF Futures Market. He then joined Credit Suisse and worked for its investment banking and private banking divisions. In January 1998, he was appointed Chief Executive Officer of Credit Suisse in Madrid.

Current positions and offices

Christian Dior group

France	Christian Dior SE [(a)]	Advisory Board member
International	LVMH group	Advisor to the Chairman for Spain
	Loewe SA (Spain)	Director

Other

International	Art+Auction Editorial (United States and United Kingdom)	Member of the Supervisory Board
	La Sociedad General Inmobiliaria de Canarias 2000 SA (Spain)	Director
	Sociedad General Immobiliaria de España SA (Spain)	Director

1.10. PARTICIPATION IN SHAREHOLDERS' MEETINGS

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular conditions for the allocation of double voting rights to the holders of registered shares, are laid down in Articles 17 to 23 of the Bylaws, which are appended to this report.

1.11. SUMMARY OF EXISTING DELEGATIONS AND FINANCIAL AUTHORIZATIONS AND USE MADE OF THEM

1.11.1. Share repurchase programs (Articles L. 225-209 et seq. of the French Commercial Code) [(a)]

Type	Authorization date	Expiry/ Duration	Amount authorized	Use as of Dec. 31, 2017
Share repurchase program Maximum purchase price: 300 euros	SM December 6, 2016 (12th resolution)	June 5, 2018 (18 months)	10% of the share capital [(b)]	Movements during the fiscal year [(c)] Purchases: None Disposals: None 252,498 shares held as of December 31, 2017
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM December 6, 2016 (14th resolution)	June 5, 2018 (18 months)	10% of the share capital per 24-month period [(b)]	Shares retired during the fiscal year: None

(a) A resolution renewing these authorizations in line with the terms and conditions stated in §4.1 of the Board of Directors' report on the draft resolutions will be presented at the Shareholders' Meeting of April 12, 2018.
(b) As a guide, this equates to 18,050,751 shares on the basis of the authorized share capital as of December 31, 2017.
(c) For purchases, including calls exercised, see also §6 of the Management report of the Board of Directors – Christian Dior parent company.

(a) Listed company.

1.11.2. Authorizations to increase the share capital

(Articles L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code) [(a)]

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of Dec. 31, 2017
Through the capitalization of profit, reserves, additional paid-in capital or other items (Articles L. 225-129-2 and L. 225-130)	SM December 6, 2016 (13th resolution)	February 5, 2019 (26 months)	80 million euros [(b)]	Not applicable	None
With preferential subscription rights: ordinary shares and securities giving access to the share capital	SM December 6, 2016 (15th resolution)	February 5, 2019 (26 months)	80 million euros [(b)] [(c)]	Free	None
Without preferential subscription rights: ordinary shares and securities giving access to the share capital:					
• by means of public offering (Articles L. 225-135 et seq.)	SM December 6, 2016 (16th resolution)	February 5, 2019 (26 months)	80 million euros [(b)] [(c)]	At least equal to the minimum price required by regulations [(e)]	None
• by means of private placement (Articles L. 225-135 et seq.)	SM December 6, 2016 (17th resolution)	February 5, 2019 (26 months)	80 million euros [(b)] [(c)] Issue of shares capped at 20% of the share capital per year, determined as of the issue date	At least equal to the minimum price required by regulations [(e)]	None
Increase in the number of shares to be issued in the event that the issue is oversubscribed in connection with capital increases, with or without preferential subscription rights, carried out pursuant to the 15th, 16th and 17th resolutions of the Shareholders' Meeting of December 6, 2016	SM December 6, 2016 (19th resolution)	February 5, 2019 (26 months)	Up to 15% of the initial issue [(b)]	Same price as the initial issue	None
In connection with a public exchange offer (L. 225-148)	SM December 6, 2016 (20th resolution)	February 5, 2019 (26 months)	80 million euros [(b)]	Free	None
In connection with in-kind contributions (L. 225-147)	SM December 6, 2016 (21st resolution)	February 5, 2019 (26 months)	10% of the share capital at the date of the issue [(d)]	Free	None

(a) A resolution renewing these authorizations will be presented at the Shareholders' Meeting of April 12, 2018 in line with the terms and conditions stated in §4.2 of the Board of Directors' report on the draft resolutions.
(b) As a guide, this equates to 40,000,000 shares on the basis of the authorized share capital as of December 31, 2017. Maximum nominal amount. This is an overall limit set by the Shareholders' Meeting of December 6, 2016 for any issues made pursuant to the 13th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, and 23rd resolutions.
(c) Up to the overall limit of 80 million euros referred to in [(a)], this amount may be increased to a maximum of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of December 6, 2016 – 19th resolution).
(d) As a guide, this equates to 18,050,751 shares. Up to the overall limit of 80 million euros referred to above, against which this amount would be offset.
(e) Up to 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is at least equal to 90% of the weighted average of the share price over the three days preceding its determination (Shareholders' Meeting of December 6, 2016 – 18th resolution).

1.11.3. Employee share ownership [a]

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of Dec. 31, 2017
Bonus share awards (Articles L. 225-197-1 et seq.)	December 1, 2015 (14th resolution)	January 31, 2018 (26 months)	1% of the share capital [b]	Not applicable	Granted: 139,362 shares Available to be granted: 1,665,713 shares
Share subscription or purchase options (Articles L. 225-177 et seq.)	December 6, 2016 (22nd resolution)	February 5, 2019 (26 months)	1% of the share capital [b]	Average share price over the preceding the grant date [c] with no discount	Granted: None Available to be granted: 1,805,075 shares
Capital increase reserved for employees who are members of a company savings plan (L. 225-129-6)	December 6, 2016 (23rd resolution)	February 5, 2019 (26 months)	1% of the share capital [b]	Average share price over the 20 trading days preceding the grant date, with a maximum discount of 20%	None

(a) A resolution renewing these authorizations in line with the terms and conditions stated in §4.3 of the Board of Directors' report on the draft resolutions will be presented at the Shareholders' Meeting of April 12, 2018.
(b) As a guide, this equates to 1,805,075 shares on the basis of the authorized share capital as of December 31, 2017. Up to the overall limit of 80 million euros referred to above, against which this amount would be offset.
(c) In the case of purchase options, the price may not be lower than the average purchase price of the shares.

1.12. INFORMATION ON THE RELATED-PARTY AGREEMENTS COVERED BY ARTICLE L. 225-37-4 2° OF THE FRENCH COMMERCIAL CODE

We hereby inform you that no related-party agreements covered by Article L. 225-37-4 2° of the French Commercial Code were entered into or remained in effect in fiscal year 2017.

1.13. INFORMATION THAT COULD HAVE A BEARING ON A TAKEOVER BID OR EXCHANGE OFFER

Pursuant to the provisions of Article L. 225-37-5 of the French Commercial Code, information that could have a bearing on a takeover bid or exchange offer is presented below:

- capital structure of the Company: the Company is controlled by the Arnault Family Group, which, as of December 31, 2017, controlled 96.52% of the share capital and 98.12% of the voting rights that may be exercised in Shareholders' Meetings;
- share issues and repurchases under various resolutions:
  - the shareholders have delegated to the Board of Directors the power to:
    - acquire Company shares up to a maximum of 10% of the share capital,
    - increase the share capital, either with or without preferential subscription rights and via public offering or private placement, in a total nominal amount not to exceed 80 million euros, equivalent to more than 22% of the Company's current share capital,
    - increase the share capital in connection with a public exchange offer or in-kind contributions.

  These delegations of authority are suspended during takeover bids or exchange offers:

  - the shareholders have also delegated to the Board of Directors the power to:
    - grant share subscription options or awards of bonus shares to be issued in a total amount not to exceed 1% of the share capital,
    - increase the share capital through an issue for employees up to a maximum of 1% of the share capital.

These delegations of authority are not suspended during takeover bids or exchange offers.

2. Compensation of company officers

The Board of Directors determines executive compensation policy after consulting the Nominations and Compensation Committee, whose responsibilities include (i) making proposals on fixed and variable compensation and benefits in kind payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director, if there is one; (ii) giving an opinion on the granting of options or bonus performance share awards to these individuals and on the requirement to retain possession of a portion of any such shares; (iii) formulating a position on supplementary pension plans put in place by the Company for its senior executives; and (iv) making proposals on any retirement benefits that might be paid to a senior executive when he/she steps down.

Compensation and benefits awarded to senior executive officers mainly reflect the degree of responsibility attached to their roles, their individual performance and the Group's results, and the achievement of the targets set. They also take into account compensation paid by companies of a similar size, industry sector and international presence.

2.1. COMPENSATION POLICY

2.1.1. Compensation and benefits in kind

Compensation payable to senior executive officers is determined with reference to the principles laid down in the AFEP/MEDEF Code.

This compensation breaks down as follows:

• ***Annual fixed/variable compensation***

The Chairman of the Board of Directors waived his entitlement to fixed or variable compensation from Christian Dior SE in 2018. The fixed and variable compensation indicated in §2.2 below is that granted and paid by the LVMH group.

Fixed compensation payable to the Chief Executive Officer has been reviewed by the Nominations and Compensation Committee. On its recommendation, the Board of Directors decided that Christian Dior SE would pay fixed annual compensation to him with effect from February 1, 2018, given the change in the Chief Executive Officer's duties within the Group. Up to that date, the Chief Executive Officer would not receive any fixed or variable annual compensation from Christian Dior SE, since any such compensation granted to him is payable by Christian Dior Couture until January 31, 2018, when his term of office at that company ends.

• ***Granting of options and bonus share awards***

The Company has not set up any share subscription option or purchase plans since 2010.

The Chairman of the Board of Directors and the Chief Executive Officer are eligible for the bonus share plans put in place by the Company for the Group's employees and senior executives. Any bonus share awards granted to them must be subject to performance conditions laid down by the Board of Directors on the recommendation of the Nominations and Compensation Committee.

For all the option plans put in place between 2007 and 2009, and all performance share plans put in place since 2010, the Chairman of the Board of Directors and the Chief Executive Officer must, if they exercise their options or if their shares vest, retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares under the terms laid down in those plans (see §4.1 and §4.4 of the Management report of the Board of Directors – Christian Dior parent company).

In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a specific cap on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations and Compensation Committee – which is mainly composed of Independent Directors and is tasked with making proposals on the granting of options or bonus performance share awards to senior executives – ensures an adequate degree of control over the allocation policy. No bonus share plans were put in place in 2017.

Furthermore, the Charter of the Board of Directors forbids senior executive officers from hedging the risk on their share purchase or subscription options or their performance shares until the end of the holding period set by the Board.

• ***Directors' fees***

The shareholders vote at a Shareholders' Meeting to set the total amount of directors' fees allotted to the members of the Board of Directors.

This total annual amount has been set at 147,715 euros since the Shareholders' Meeting of May 15, 2008. It is apportioned among the members of the Board of Directors and members of the Advisory Board, in accordance with the rules defined by the Board of Directors, at the proposal of the Nominations and Compensation Committee, namely:

(i) Two units for each Director or member of the Advisory Board;

(ii) One additional unit for serving as a Committee member;

(iii) Two additional units for serving as both a Committee member and a Committee Chairman;

(iv) Two additional units for serving as Chairman of the Company's Board of Directors;

with the understanding that the amount corresponding to one unit is obtained by dividing the overall amount of directors' fees to be distributed by the total number of units to be distributed.

A portion of the directors' fees to be paid to Board members is contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of any of its Committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, in proportion to the number of Board meetings not attended by the Director in question. In addition, for Committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, in proportion to the number of Committee meetings not attended by the Director in question.

In respect of fiscal year 2017, Christian Dior paid a total gross amount of 127,605 euros in directors' fees to members of its Board of Directors and Advisory Board.

The Nominations and Compensation Committee is kept informed of the amount of directors' fees paid to senior executive officers by the Group's subsidiaries for which they also serve as company officers.

• *Exceptional compensation*

Exceptional compensation may be awarded to certain Directors, in respect of any specific duties entrusted to them by the Board of Directors. The amount is determined by the Board of Directors and reported to the Company's Statutory Auditors.

In 2017, the Board of Directors awarded each of the three members of its ad hoc Committee exceptional gross compensation of 15,000 euros in connection with the project aimed at simplifying the structures of the Christian Dior – LVMH group.

• *Benefits in kind*

Christian Dior SE does not award any benefits in kind to the Chairman of the Board of Directors or the Chief Executive Officer.

2.1.2. Other undertakings and agreements

• *Severance benefits*

At its meeting of February 2, 2018 and in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, the Board of Directors approved the non-compete clause included in Sidney Toledano's employment contract with LVMH SE, which entered into force on February 1, 2018. This non-compete commitment provides for the payment, for a period of 12 months, of compensation equal to his monthly average gross salary received over the 12 months preceding the effective termination of his employment contract. It should be noted that Sidney Toledano's employment contract with Christian Dior Couture – which included a 24-month non-compete clause and provided for the payment, every month of its application, of compensation equal to his monthly average gross salary received over the previous 12 months – expired on January 31, 2018.

Notwithstanding this clause, neither the Chairman of the Board of Directors nor the Chief Executive Officer benefit from provisions granting them specific compensation upon leaving the Company or exemption from rules governing the exercise of share purchase options or the vesting of bonus performance shares.

• *Supplementary pensions*

LVMH SE has set up a defined-benefit pension plan for its senior executives. Employees and senior executives of French companies who have been members of the Executive Committee of the LVMH group for at least six years qualify for a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties with the LVMH group. This is not required, however, if they leave the LVMH group at its request after the age of 55 and take up no other professional activity until their external pension plans are liquidated. This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the LVMH group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017). The annual supplementary pension benefit is equal to the difference between 60% of the reference compensation amount and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans, in particular) and abroad. As of December 31, 2017, the total amount of pensions and the supplementary pension may not exceed 823,788 euros per year.

In line with the foregoing and on the basis of compensation paid to the Chairman of the Board of Directors by the LVMH group in 2017, the supplementary pension benefit payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.

Given the characteristics of the plan put in place by LVMH and Bernard Arnault's personal circumstances, the supplementary pension for which he may qualify no longer gives rise to the annual vesting of additional benefits or, consequently, to a correlative increase in LVMH's financial commitment.

Recipients' potential benefits are funded by contributions paid to an insurer, which are deductible from the corporate tax base and subject to the contribution tax provided for by Article L. 137-11, I, 2°, a) of the French Social Security Code, the rate of which is set at 24%.

The increase in provisions for these supplementary retirement benefits as of December 31, 2017 is included in the amount shown for post-employment benefits under Note 32.4 to the consolidated financial statements.

2.2. COMPENSATION PAID OR GRANTED IN RESPECT OF FISCAL YEAR 2017

2.2.1. Summary of compensation, options and bonus shares granted to senior executive officers [(a)]

Bernard Arnault – Chairman of the Board of Directors

(EUR)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)
Fixed and variable compensation due in respect of the fiscal year [(b)]	3,339,947	1,675,814
Medium-term incentive plan	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year [(c)]	4,482,312	4,482,204

Sidney Toledano – Chief Executive Officer

(EUR)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)
Fixed and variable compensation due in respect of the fiscal year	2,590,000	1,185,000
Medium-term incentive plan [(c)]	8,000,000	-
Valuation of options granted during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year [(d)]	1,505,303	1,505,187

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it, as provided for in Article L. 225-37-3 of the French Commercial Code, excluding directors' fees.
(b) Compensation due or paid by the LVMH group, with no compensation being due or paid by Christian Dior.
(c) In addition, under a medium-term incentive plan and paid for by Christian Dior SE, LVMH bonus shares with a value of 8 million euros were awarded to Sidney Toledano.
(d) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.5 below.

2.2.2. Summary of compensation paid to each senior executive officer [(a)]

Christian Dior SE did not pay any fixed or variable compensation to Bernard Arnault in respect of fiscal year 2017. The amounts of fixed and variable compensation listed below correspond solely to compensation due or paid to him by the LVMH group.

Bernard Arnault	Amounts due for the fiscal year		Amounts paid during the fiscal year	
Compensation (EUR)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)
Fixed compensation [(b)]	1,139,947	575,814	1,139,947	575,814
Variable compensation [(b)]	2,200,000 [(c)]	1,100,000 [(d)]	2,200,000 [(e)]	2,200,000 [(f)]
Medium-term incentive plan	-	-	-	-
Directors' fees [(g)]	116,413	57,659	102,659	115,345
Benefits in kind [(h)]	37,807	19,659 [(i)]	37,807	39,317
TOTAL	**3,494,167**	**1,753,132**	**3,480,413**	**2,930,476**

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it, as provided for in Article L. 225-37-3 of the French Commercial Code.
(b) Compensation due or paid by the LVMH group, with no compensation being due or paid by Christian Dior.
(c) Subject to shareholder approval at the LVMH Shareholders' Meeting of April 12, 2018.
(d) Amount corresponding to the six-month portion (from July 1 to December 31, 2016) of variable annual compensation of 2,200,000 euros set for the 2016 calendar year.
(e) Variable compensation paid by LVMH in respect of LVMH's 2016 fiscal year.
(f) Variable compensation paid by LVMH in respect of LVMH's 2015 fiscal year.
(g) The rules for apportioning directors' fees within the Company are set out in §2.1.1 of this report.
(h) Company car.
(i) Amount corresponding to the six-month portion (from July 1 to December 31, 2016).

Sidney Toledano	Amounts due for the fiscal year		Amounts paid during the fiscal year	
Compensation *(EUR)*	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)
Fixed compensation [(b)]	1,090,000	535,000	1,090,000	540,471
Variable compensation [(b)]	1,500,000	650,000 [(c)]	1,300,000 [(d)]	-
Medium-term incentive plan [(c)]	8,000,000 [(e)(f)]	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees [(g)]	36,848	18,424	31,924	9,590
Benefits in kind [(h)]	15,325	6,403 [(i)]	15,325	12,807
TOTAL	**10,642,173**	**1,209,827**	**2,437,249**	**562,868**

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it, as provided for in Article L. 225-37-3 of the French Commercial Code.
(b) Compensation due or paid by Christian Dior Couture.
(c) Amount corresponding to the six-month portion (from July 1 to December 31, 2016) of variable annual compensation of 1,300,000 euros set for the 2016 calendar year.
(d) Variable annual compensation paid in 2017 in respect of calendar year 2016.
(e) Subject to shareholder approval at the Christian Dior SE Shareholders' Meeting of April 12, 2018.
(f) In addition, under a medium-term incentive plan and paid for by Christian Dior SE, LVMH bonus shares with a value of 8 million euros were awarded to Sidney Toledano.
(g) The rules for apportioning directors' fees within the Company are set out in §2.1.1 of this report.
(h) Company car.
(i) Amount corresponding to the six-month portion (from July 1 to December 31, 2016).

The variable portion of compensation paid to senior executive officers is based on the attainment of both quantifiable and qualitative targets. The variable portion of compensation paid to the Chairman of the Board of Directors is paid by the LVMH group; quantifiable and qualitative targets carry an equal weighting for the purposes of determining the bonus.

For the Chief Executive Officer, in his capacity as Chairman and Chief Executive Officer of Christian Dior Couture, an office he held until January 31, 2018, quantifiable and qualitative targets carry respective weightings of two-thirds and one-third. The quantifiable criteria are financial in nature and relate to growth in revenue, operating profit and cash flow relative to budget, with each of these items representing one-third of the total determination. The qualitative criteria are precisely established but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. The annual variable portion is capped at 150% of fixed compensation for the Chief Executive Officer.

The Chief Executive Officer also qualifies for a medium-term incentive plan covering calendar years 2014 to 2017, primarily based on growth in Christian Dior Couture's consolidated profit from recurring operations. This incentive plan is exclusively paid for by Christian Dior SE.

2.2.3. Summary of directors' fees, compensation, benefits in kind and commitments given to other company officers [(a)]

Director	Directors' fees paid during the fiscal year		Fixed compensation paid during the fiscal year		Variable compensation paid during the fiscal year		Exceptional compensation paid during the fiscal year	
(EUR)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)
Delphine Arnault [(b) (j)]	61,987	53,314	869,522	420,077	1,780,000 [(c)]	-	-	-
Nicolas Bazire [(b) (d) (e) (j)]	55,000	55,000	1,235,000	617,500	2,700,000	-	-	-
Denis Dalibot [(f)]	28,724	40,031	60,000 [(i)]	25,000 [(i)]	-	-	-	-
Hélène Desmarais	9,848	17,257	-	-	-	-	15,000 [(h)]	-
Renaud Donnedieu de Vabres	7,386	14,385	-	-	-	-	15,000 [(h)]	-
Ségolène Gallienne	4,924	8,314	-	-	-	-	-	-
Christian de Labriffe	12,310	23,975	-	-	-	-	15,000 [(h)]	-
Maria Luisa Loro Piana [(g)]	-	-	-	-	-	-	-	-

(a) Directors' fees, gross compensation and/or fees and benefits in kind paid or borne by the Company and companies controlled by it, as provided for in Article L. 225-37-3 of the French Commercial Code, and received by the company officer or a company he or she controls.
(b) A breakdown of equity securities or securities giving access to equity awarded to company officers during the fiscal year is set out in §2.2.5 below.
(c) Of which 1,200,000 euros under a medium-term incentive plan.
(d) Co-opted as a Director on July 26, 2017.
(e) Other benefit: supplementary pension.
(f) Resigned April 13, 2017.
(g) Appointed April 13, 2017.
(h) As a member of the ad hoc Committee. See §1.3.4 above.
(i) Consulting agreement.
(j) Benefits in kind: company car.

In addition, gross attendance fees paid by the Company to Advisory Board members in 2017 were as follows:

Advisory Board member	*(EUR)*
Pierre Godé	2,735
Jaime de Marichalar y Sáenz de Tejada	4,924

2.2.4. Options awarded to and exercised by company officers during the fiscal year

See also §4.1 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company for the terms under which options are awarded and must be held.

No new option plans were put in place during the period from January 1, 2017 to December 31, 2017.

Options exercised by senior executive officers of the Company [(a)]

Recipient	Company awarding the options	Date of plan	Number of options	Exercise price/ Subscription price *(EUR)*
Bernard Arnault	Christian Dior	01/31/2007	217,633	78.11
	LVMH	05/10/2007	474,893	77.526

(a) After adjusting for the distributions of Hermès International shares on December 17, 2014.

Options exercised by other company officers of the Company [(a)]

Recipients	Company awarding the options	Date of plan	Number of options	Exercise price (EUR)
Delphine Arnault	Christian Dior	05/15/2008	7,463	67.31
	"	05/14/2009	3,501	47.88
Nicolas Bazire	LVMH	05/14/2009	18,480	50.861

(a) After adjusting for the distributions of Hermès International shares on December 17, 2014.

2.2.5. Shares awarded to company officers during the fiscal year

See also §4.4 of the Management report of the Board of Directors – Christian Dior parent company for the terms and conditions of allocating and holding shares.

Shares provisionally allocated to senior executive officers of the Company during the fiscal year

Recipients	Company awarding the shares	Date of Shareholders' Meeting	Date of plan	Number of performance shares	% of share capital	Valuation of shares (EUR)
Bernard Arnault	LVMH	04/14/2016	10/25/2017	19,745	0.0039	4,482,312
Sidney Toledano	LVMH	04/14/2016	10/25/2017	6,631	0.0013	1,505,303

Shares provisionally allocated to other company officers of the Company during the fiscal year

Recipients	Company awarding the shares	Date of plan	Number of performance shares
Delphine Arnault	LVMH	10/25/2017	4,673
Nicolas Bazire	LVMH	10/25/2017	8,904

Performance shares vested to senior executive officers of the Company [(a)]

Recipients	Company awarding the shares	Date of plan	Number of performance shares
Bernard Arnault	Christian Dior	10/16/2014	22,271
	LVMH	10/23/2014	5,117
Sidney Toledano	Christian Dior	10/16/2014	13,394

(a) After adjusting for the distribution of Hermès International shares on December 17, 2014.

Bonus and performance shares vested to other company officers of the Company [(a)]

Recipients	Company awarding the shares	Date of plan	Number of bonus shares	Number of performance shares
Delphine Arnault	Christian Dior	10/16/2014	-	7,104
	LVMH	10/23/2014	-	733
Nicolas Bazire	LVMH	10/25/2014	-	4,929

(a) After adjusting for the distribution of Hermès International shares on December 17, 2014.

2.2.6. Prior allocations of options

Share subscription option plans

No share subscription option plans were in effect as of December 31, 2017.

Share purchase option plans

The terms and conditions of exercise of purchase options and, for the plan put in place in 2009, the performance conditions relating to the exercise of options are set out in §4.1 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company.

For plans put in place since 2007, if the Chairman of the Board of Directors and Chief Executive Officer decide to exercise their options, they must retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares representing a sliding percentage of between 50% and 30% (based on the remaining term of the plan) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date.

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board meeting	**01/31/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options awarded at plan inception (f)	480,000	484,000	332,000	**1,296,000**
o/w Company officers (a)	285,000	320,000	150,000	**755,000**
Bernard Arnault (b)	200,000	200,000	100,000	**500,000**
Delphine Arnault (b)	25,000	25,000	25,000	**75,000**
Sidney Toledano (b)	50,000	50,000	50,000	**150,000**
o/w Top ten employee recipients (c)	133,000	147,000	159,000	**439,000**
Number of recipients	28	25	26	
Earliest option exercise date	01/31/2011	05/15/2012	05/14/2013	
Expiry date	01/30/2017	05/14/2018	05/13/2019	
Exercise price (d) *(EUR)*	78.11	67.31 (e)	47.88	

(a) Options awarded to company officers in service at the plan commencement date.
(b) Company officers serving as of December 31, 2017.
(c) Options awarded to employees – other than company officers – in service at the plan commencement date.
(d) After adjusting for the distributions in kind of Hermès International shares on December 17, 2014.
(e) Purchase price for Italian residents after adjusting for the distributions in kind of Hermès International shares on December 17, 2014: 67.52 euros.
(f) Before adjusting for the distributions in kind of Hermès International shares on December 17, 2014.

Exercise of such options does not lead to any dilution for shareholders, since they are options to purchase existing shares.

2.2.7. Prior awards of bonus shares and performance shares

The terms and conditions of allocation and the performance conditions relating to the vesting of shares are set out in §4.4 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company.

For plans set up since 2010, if their shares vest, the Chairman of the Board of Directors and the Chief Executive Officer must retain possession, in registered form until the conclusion of their respective terms of office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans set up before 2013, and on the basis of the closing share price on the day before the vesting date for plans set up since 2013.

Date of Shareholders' Meeting	10/26/2012		10/26/2012		12/01/2015		12/01/2015		
Date of Board meeting	**07/25/2013**		**10/16/2014**		**12/01/2015**		**12/06/2016**		
	Bonus shares	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Total**
Total number of shares provisionally allocated at plan inception [e]	**6,000**	**82,521**	**6,000**	**89,185**	**5,000**	**64,511**	**5,000**	**64,851**	**323,068**
o/w Company officers [a]	-	36,694	-	39,302	-	28,585	-	26,724	**131,305**
Bernard Arnault [b]	-	19,108	-	20,466	-	14,656	-	13,702	**67,932**
Delphine Arnault [b]	-	6,095	-	6,528	-	4,675	-	4,371	**21,669**
Sidney Toledano [b]	-	11,491	-	12,308	-	9,254	-	8,651	**41,704**
o/w Top ten employee recipients [c]	6,000	24,370	6,000	27,653	5,000	18,296	5,000	18,717	**111,036**
Number of recipients	1	40	1	40	1	44	1	52	
Vesting date	07/25/2016	07/25/2016 [d]	10/16/2017	10/16/2017 [d]	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Date as of which the shares may be sold	07/25/2018	07/25/2018 [d]	10/16/2019	10/16/2019 [d]	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Performance conditions	**-**	**Satisfied**	**-**	**Satisfied**	**-**	**Satisfied**	**-**	**Satisfied in 2017**	

(a) Total number of performance shares allocated to company officers serving as of the provisional allocation date.
(b) Company officers serving as of December 31, 2017.
(c) Bonus shares and performance shares allocated to employees – other than company officers – active as of the provisional allocation date.
(d) Shares vest and become available on July 25, 2017 and October 16, 2018 for recipients who are not French residents for tax purposes.
(e) Before adjusting for the distributions in kind of Hermès International shares on December 17, 2014.

2.2.8. Employment contracts, specific pensions, severance benefits and non-compete clauses for senior executive officers

	Employment contract		**Supplementary pension plan**		**Compensation or benefits due or likely to become due upon ceasing or changing duties**		**Compensation under a non-compete clause**	
Senior executive officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Bernard Arnault Chairman of the Board of Directors		X	X			X		X
Sidney Toledano Chief Executive Officer	X [a]			X		X	X [a]	

(a) Covenant not to compete for a period of 24 months included in the employment contract – suspended for the duration of the term of office as Chairman and Chief Executive Officer of Christian Dior Couture – providing for the payment, during each month of its application, of compensation equal to the average gross salary received over the previous 12-month period; the employment contract in question expired on January 31, 2018.

LVMH SE has set up a defined-benefit pension plan, in accordance with the provisions of Article L. 137-11 of the French Social Security Code, for senior executives.

The supplementary pension only vests if the recipient has served for at least six years on the LVMH group's Executive Committee and claims all of his or her retirement benefits, acquired under the basic and compulsory supplementary plans, immediately upon terminating his or her duties within the Group. However, this last condition does not apply if the recipient leaves at the Group's request after the age of 55, provided that the recipient does not engage in any other professional activity between his or her departure from the Group and date on which the pension claim is made. Furthermore, in the event of the death of the potential recipient before his or her benefits are claimed, the derived rights are maintained, with the surviving spouse as the beneficiary.

This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017). The annual supplementary pension benefit is equal to the difference between 60% of the reference compensation amount (capped where appropriate) and all pension payments under pension plans in France (under the general social security plan and the ARRCO and AGIRC supplementary plans, in particular) and abroad. As of December 31, 2017, the total amount of pensions and the supplementary pension may not exceed 823,788 euros.

In line with the foregoing and on the basis of compensation paid to the Chairman of the Board of Directors by the LVMH group in 2017, the supplementary pension benefit payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.

Given the characteristics of the plan put in place by LVMH SE and Bernard Arnault's personal circumstances, the supplementary pension for which he may qualify no longer gives rise to the annual vesting of additional benefits or, consequently, to a correlative increase in LVMH's financial commitment.

Recipients' potential benefits are funded by contributions paid to an insurer, which are deductible from the corporate tax base and subject to the contribution tax provided for by Article L. 137-11, I, 2°, a) of the French Social Security Code, the rate of which is set at 24%.

The increase in provisions for these supplementary retirement benefits as of December 31, 2017 is included in the amount shown for post-employment benefits under Note 32.4 to the consolidated financial statements.

2.3. PRESENTATION OF THE DRAFT RESOLUTIONS CONCERNING THE COMPENSATION OF SENIOR EXECUTIVE OFFICERS

Information concerning compensation paid in 2017 or awarded in respect of fiscal year 2017 to senior executive officers for performing their duties at Christian Dior SE is set out in §3.1 of the Board of Directors' report on the draft resolutions.

In connection with the compensation policy to be submitted for approval at the Shareholders' Meeting of April 12, 2018, all relevant information can be found in §3.2 of the Board of Directors' report on the draft resolutions.

3. Summary of transactions in Christian Dior securities during the fiscal year by senior executives and closely related persons [(a)]

Director concerned	Type of transaction	Number of shares/securities	Average price *(EUR)*
Bernard Arnault	Collateral	201,717	-
	Exercise [(b)]	217,633	78.11
	Gift	441,110	302.25
Person(s) related to Bernard Arnault	Pledge	33,780,000	252.35
	Release of pledge	2	241.78
	Monetization [(c)] (termination)	1,448,468	179.50
	Acquisition	40,461,613	257.76
Delphine Arnault	Exercise [(b)]	10,964	57.60
	Gift received	88,222	302.25
Nicolas Bazire	Acquisition	200	280.22

(a) Related persons within the meaning of Article R. 621-43-1 of the French Monetary and Financial Code.
(b) Exercise of share purchase options.
(c) Synthetic financing transaction using forward financial instruments index-linked to the Christian Dior share price (prepaid forward sale of shares associated with an equity swap) and involving the pledging of these securities.

Annexes

CHARTER OF THE BOARD OF DIRECTORS

The Board of Directors is the strategic body of Christian Dior SE. The competence, integrity and responsibility of its members, clear and fair decisions reached collectively, and effective and secure controls are the ethical principles that govern the Board.

The key priorities pursued by Christian Dior's Board of Directors are enterprise value creation and the defense of the Company's interests.

Christian Dior's Board of Directors acts as guarantor of the rights of each shareholder and ensures that shareholders fulfill all their duties.

The Company adheres to the Code of Corporate Governance for Listed Companies published by AFEP and MEDEF.

Each of these elements contributes to the performance and transparency required for the business to maintain the confidence of shareholders and partners in the Group.

1. Membership of the Board of Directors

The Board of Directors shall have a maximum of 12 members, at least one-third of whom shall be appointed from among prominent independent persons with no interests in the Company.

In determining whether a Director may be considered independent, the Board of Directors shall refer in particular to the criteria set out in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

The number of Directors, or permanent representatives of legal entities, from outside listed companies in which the Chairman of the Board of Directors or any Director serving as Chief Executive Officer or Group Managing Director holds office shall be limited to two. The Chairman of the Board of Directors and any Director serving as Chief Executive Officer or Group Managing Director must seek the opinion of the Board of Directors before accepting a new appointment at a listed company.

2. Duties of the Board of Directors

As well as selecting the Company's Executive Management structure and appointing the Chairman of the Board of Directors, Chief Executive Officer and Group Managing Director(s), the principal duties of the Board of Directors are to:

- ensure that the Company's interests and assets are protected;
- define the Company's and the Group's broad strategic direction and ensure that it is put into practice;
- approve any significant transactions that fall outside the scope of the strategic direction defined by the Board of Directors;
- keep abreast of the Company's financial position, cash position and commitments;
- approve the Company's annual and interim financial statements;
- review the essential characteristics of internal control and risk management systems adopted and implemented by the Group;
- ensure that the key risks to which the Company is exposed are in keeping with its strategies and objectives, and are taken into account in the management of the Company;
- verify the quality, reliability and fairness of information provided to shareholders concerning the Company and the Group and, in particular, ensure that the management structure and internal control and risk management systems in place are adequate to guarantee the quality and reliability of financial information disclosed by the Company and to provide a true and fair view of the performance and financial position of the Company and the Group;
- set out the organizational principles and procedures of the Performance Audit Committee;
- disseminate the shared values that guide the Company and its employees and govern relationships with consumers as well as with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a corporate social responsibility approach based, in particular, on respect for human rights and protection of the environment in which the Group operates.

3. Operating procedures of the Board of Directors

The Board of Directors shall meet at least four times a year.

Any individual who agrees to serve as a Director, or Permanent Representative of a legal entity appointed as Director, of the Company shall undertake to regularly attend Board of Directors' and Shareholders' Meetings.

The Board may use videoconferencing or other means of telecommunication to organize meetings with Directors participating remotely. No such means shall be used, however, when the Board meets to draft and approve the parent company financial statements and Management Report, or when it meets to draft the consolidated financial statements and the report on the Group's management.

To ensure that the relevant Directors are identified and in attendance at a Board meeting, these means of telecommunication shall, at minimum, transmit participants' voices as well as satisfy technical criteria for a continuous, real-time connection with the meeting. All remote participants at a meeting shall confirm their identity. Attendance by any non-Board member must be reported to and approved by all Directors participating in the meeting.

Directors participating remotely by videoconferencing or conference call shall be deemed present for the purposes of calculating quorum and majority.

The minutes of the meeting shall include the identities of any Directors who participated remotely, the means of communication used and any connection issues that may have occurred during the meeting and disrupted proceedings.

At the proposal of the Board's Nominations and Compensation Committee, repeated unjustified absences by a Director may lead the Board of Directors to reconsider his/her directorship.

So that members of the Board of Directors can fully serve the function entrusted to them, the Chief Executive Officer shall provide members with any and all information necessary for the performance of their duties.

Decisions by the Board of Directors shall be made by simple majority vote and shall be deemed to have been reached by the Board as a whole.

Independent Directors may, if they deem appropriate, meet together without the other members of the Board of Directors.

For specific or important matters, the Board of Directors may establish one or more ad hoc committees.

Each member of the Board of Directors shall act in the interests of and on behalf of all shareholders.

Once a year, the Board of Directors shall evaluate its procedures and inform shareholders of its conclusions in a report presented to the shareholders at a Shareholders' Meeting. In addition, a formalized review of the work of the Board, its organization and its procedures shall be conducted at least once every three years.

4. Responsibilities

The members of the Board of Directors shall be required to familiarize themselves with the general and specific obligations of their office, and with all applicable laws and regulations.

The members of the Board of Directors shall be required to maintain the confidentiality of any information of which they may become aware in the course of their duties concerning the Company or the Group, until such information is made public by the Company.

The members of the Board of Directors undertake not to trade in the Company's shares, either directly or indirectly, whether on their own account or on behalf of any third party, on the basis of inside information disclosed to them in the course of their duties that is not known to the public.

Moreover, members of the Board of Directors shall refrain from trading in the Company's shares or related financial instruments, and from exercising options for the duration of periods:

- beginning, as the case may be, on the 30th calendar day preceding the date of publication of the Company's annual or interim consolidated financial statements or the 15th calendar day preceding the date of publication of the Company's quarterly consolidated revenue release; and
- ending (i) at 2:00 p.m. on the day after the aforementioned publication, if publication occurs in the afternoon, or (ii) at 9:00 a.m. on the day after the aforementioned publication, if it occurs in the morning.

However, this restriction shall not apply to the exercise of share purchase or share subscription options, provided that no shares are resold before the end of the blackout period in question.

Senior executive officers shall refrain from engaging in any hedging transactions on their share subscription or purchase options, shares acquired from the exercise of options, or performance shares; this restriction shall apply until the end of their respective holding periods set by the Board of Directors.

The Directors undertake to:

- notify the Chairman of the Board of Directors of any actual or potential conflict of interest between their duties to the Company and their personal interests and/or other duties;
- abstain from voting on any matter that directly or indirectly pertains to them;
- inform the Chairman of the Board of Directors of any transaction or agreement entered into with any Christian Dior group company to which they are a party;
- notify the Chairman of the Board of Directors of any formal investigation, conviction for fraud, official public indictment and/or sanction, or court-ordered disqualification from serving as a member of an administrative, management or supervisory body, as well as of any bankruptcy, receivership or liquidation proceedings in which they may have been involved.

The Chairman of the Board of Directors shall pass on any information of this type to the Performance Audit Committee.

RULES OF PROCEDURE OF THE PERFORMANCE AUDIT COMMITTEE

The Board of Directors has formed a specialized committee responsible for auditing performance, acting under the Board's responsibility.

1. Membership of the Committee

The Performance Audit Committee shall consist of at least three Directors appointed by the Board of Directors. At least two-thirds of its members shall be Independent Directors. The majority of the Committee's members must have served in Executive Management or equivalent roles or have specific expertise in finance, accounting or statutory audit.

At the proposal of the Nominations and Compensation Committee, the Board of Directors shall appoint a Chairman of the Committee from among its members. The Chairman of the Committee may serve for a maximum of five years, and may be reappointed for the same period.

Neither the Chairman of the Board of Directors nor any Director serving as Chief Executive Officer or Group Managing Director of Christian Dior may be a member of the Committee.

A Director may not be appointed to the Committee if he/she comes from a company within which a Director of Christian Dior serves on a committee comparable in function.

2. Role of the Committee

The principal duties of the Committee are to:

- monitor the process of preparing financial information, and in particular the individual and consolidated financial statements and, where applicable, make recommendations to ensure their integrity;
- monitor the work of the Statutory Auditors, taking into account, as the case may be, the observations and findings of the Haut Conseil du Commissariat aux Comptes (the supervisory body for the French audit industry) on checks carried out by it pursuant to Articles L. 821-9 et seq. of the French Commercial Code;
- ensure the existence, pertinence, application and effectiveness of internal control, risk management and internal audit procedures, monitor the ongoing effectiveness of those procedures, and make recommendations to senior management on the priorities and general direction of the work of the internal audit function;
- examine risks to the Statutory Auditors' independence and, as the case may be, safeguards put in place to minimize the potential of risks to compromise their independence, issue an opinion on fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and companies it controls or by which it is controlled, in respect of either their statutory audit duties or ancillary services, oversee the procedure for selecting the Company's Statutory Auditors, and make recommendations on appointments to be proposed at Shareholders' Meetings in light of the outcome of such consultation;
- analyze the Company's and the Group's exposure to risks, and in particular to those risks identified by internal control and risk management systems, as well as material off balance sheet commitments of the Company and the Group;
- approve services, other than certifying the financial statements, provided by the Statutory Auditors or members of the network to which they belong to the Company, or to persons or entities that control or are controlled by the Company within the meaning of the first and second paragraphs of Article L. 233-3 of the French Commercial Code, after analyzing risks to the Statutory Auditors' independence and safeguarding measures adopted by them;
- review key agreements entered into by Group companies and agreements entered into by any Group company with a third party company in which a Director of Christian Dior SE is also a senior executive or principal shareholder. Significant transactions falling within the scope of the provisions of Article L. 225-38 of the French Commercial Code require an opinion issued by an independent expert appointed at the proposal of the Performance Audit Committee;
- assess any conflicts of interest that may affect a Director and recommend appropriate measures to prevent or correct them.

3. Operating procedures of the Committee

Agreement by a Director to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties as a member of the Committee.

The Committee shall meet at least twice a year, without the Chairman of the Board of Directors, the Chief Executive Officer or the Group Managing Director(s) being in attendance, before meetings of the Board of Directors whose agenda includes a review of the annual and interim parent company and consolidated financial statements.

If necessary, the Committee may be required to hold one-off meetings whenever an event occurs that may have a material impact on the parent company or consolidated financial statements.

Before each meeting, all relevant documents and analyses relating to the various agenda items shall be sent to each member of the Committee.

Any document provided to members of the Committee in connection with their responsibilities shall be considered confidential as long as it has not been made public by the Company.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions by the Committee shall be made by simple majority vote and shall be deemed to have been reached by the Committee as a whole.

A summary report shall be drawn up after each Committee meeting.

4. Prerogatives of the Committee

The Committee shall report on its work to the Board of Directors. It shall also report on the outcome of the process of certifying the financial statements, how that process contributed to the integrity of financial information, and the role played by the Committee in the process. It shall submit its findings, recommendations and suggestions to the Board.

The Committee may request any and all accounting, legal or financial documents it deems necessary to the performance of its duties.

The Committee may at any time summon employees of the Company responsible for preparing the financial statements, carrying out internal control procedures, conducting internal audits, applying risk management or cash management procedures, and managing the Company's tax or legal affairs, as well as the Statutory Auditors, to appear before it, without the Chairman of the Board of Directors, the Chief Executive Officer or Group Managing Director(s) of Christian Dior being in attendance. These meetings may also take place in the absence of those responsible for the accounting and financial functions.

After duly notifying the Chairman of the Board of Directors, the Committee may seek assistance from external experts if circumstances so require.

5. Compensation of Committee members

The Committee's members and Chairman may receive specific attendance fees, the amount of which shall be determined by the Board of Directors and counted against the total budget approved by the shareholders at a Shareholders' Meeting.

RULES OF PROCEDURE OF THE NOMINATIONS AND COMPENSATION COMMITTEE

The Board of Directors has formed a specialized committee responsible for selecting directors and determining their compensation, acting under the Board of Directors' responsibility.

1. Membership of the Committee

The Nominations and Compensation Committee shall consist of at least three Directors and/or Advisory Board members. The majority of its members shall be independent. Its members shall be appointed by the Board of Directors.

The Board of Directors shall appoint a Chairman of the Committee from among its members.

Neither the Chairman of the Board of Directors, nor any Director serving as Chief Executive Officer or Group Managing Director of Christian Dior or compensated by any Christian Dior subsidiary, may be a member of the Committee.

A Director may not be appointed to the Committee if he/she comes from a company within which a Director of Christian Dior serves on a committee comparable in function.

2. Role of the Committee

After undertaking its own review, the Committee is tasked with issuing opinions on applications and reappointments to the positions of Director and Advisory Board member, making certain that the Company's Board of Directors includes prominent independent persons from outside the Company. In particular, it shall discuss the independence of Board members with respect to applicable criteria. Furthermore, it shall make proposals on the appointment or reappointment of the Chairman of the Performance Audit Committee.

The Chairman of the Board of Directors or any Director serving as Chief Executive Officer or Group Managing Director may also seek the Committee's opinion on candidates for senior management positions within the Company. The Committee is the consultative body responsible for defining the steps to be taken if such an office should unexpectedly fall vacant.

After review, the Committee shall make proposals on the apportionment of directors' fees paid by the Company and shall prepare a summary table of the directors' fees actually paid to each Director.

It shall make proposals to the Board on fixed and variable compensation and benefits in kind to be awarded to (i) the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director(s) and (ii) Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract; it shall also issue an opinion on any consulting agreements entered into, whether directly or indirectly, with those same individuals. The Committee shall make recommendations as to the qualitative and numerical criteria based on which the variable portion of compensation for senior executive officers is to be determined as well as the performance conditions applicable to the exercise of options and the vesting of bonus shares.

The Committee shall express its opinion on the general policy for the allotment of options and bonus shares by the Company, and shall make proposals on the award of options and bonus shares to senior executive officers and to Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract.

It shall formulate a position on any supplementary pension plans put in place for senior executive officers of the Company and make recommendations on any retirement benefits that might be paid to them upon leaving the Company.

The Committee shall issue an opinion on fixed and variable components of compensation, whether immediate or deferred, benefits in kind, and options and bonus shares to be awarded by the Company to its Directors and senior executive officers. To this end, the Committee may request copies of any agreements entered into with those individuals and of any accounting information pertaining to payments made.

The Committee shall also keep abreast of procedures relating to the payment of external contractors' fees and reimbursement of their expenses, and shall make any recommendations deemed necessary pertaining thereto.

The Committee shall prepare a draft report each year for the Shareholders' Meeting, which it shall submit to the Board of Directors, on the compensation of Company officers, any bonus shares awarded to them during the fiscal year and any stock options awarded to or exercised by them during the same period. This report shall also list the ten employees of the Company who received and exercised the most options.

3. Operating procedures of the Committee

Agreement by a Director to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties as a member of the Committee.

The Committee shall meet as often as necessary, at the initiative of its Chairman, the Chairman of the Board of Directors, the Director serving as Chief Executive Officer, or any two Committee members.

The Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director shall not take part in any of the Committee's work pertaining to their compensation.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions by the Committee shall be made by simple majority vote and shall be deemed to have been reached by the Committee as a whole.

4. Prerogatives of the Committee

The Committee shall report on its work to the Board of Directors. It shall submit its findings, recommendations and suggestions to the Board.

Members of the Committee may request any and all available information that they deem necessary for the purposes of performing their duties.

Unfavorable opinions issued by the Committee on any proposal must be substantiated.

5. Compensation of Committee members

The Committee's members and Chairman may receive specific attendance fees, the amount of which shall be determined by the Board of Directors and counted against the total budget approved by the shareholders at a Shareholders' Meeting.

BYLAWS

The Bylaws take into account the amendments proposed at the Shareholders' Meeting of April 12, 2018.

Part I

Legal form – Corporate name – Corporate purpose – Registered office – Term

Article 1 – Legal form

Christian Dior, first established in the form of a limited liability partnership under the terms of a private agreement entered into on October 8, 1946 in Paris, filed on October 18, 1946 with the clerk of the Paris commercial court and published in the Journal Special des Sociétés Françaises par Actions of October 18, 1946, was transformed into a joint-stock corporation (Société Anonyme) without creating a new legal entity, following a decision of the Extraordinary Meeting of Partners held on December 21, 1979.

The Company was then transformed into a European Company (Societas Europaea or "SE") by decision of the Combined Shareholders' Meeting of December 9, 2014. It is governed by European Community and national provisions in effect, and by these Bylaws.

Article 2 – Corporate purpose

The Company's purpose, in France and in any other country, is the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

It may also pursue direct or indirect equity investment in any industrial or commercial operations by creating new companies, contributions, subscriptions, or purchases of shares or corporate interests, merger, takeover, joint venture, or other method.

More generally, it may also engage in any commercial, financial, and industrial activities and those involving real and moveable assets, in such a way as to facilitate, favor, or develop the Company's activity.

Article 3 – Corporate name

The name of the Company is: **Christian Dior**.

In all legal instruments or documents issued by the Company and addressed to third parties, this name must always be immediately preceded or followed by the words "société européenne" or the initials "SE", which should appear legibly, and by the disclosure of the amount of the share capital.

Article 4 – Registered office

The address of the Company's registered office is 30, avenue Montaigne, 75008 Paris, France.

It may be transferred to any other place in France by decision of the Board of Directors subject to such decision being ratified at the next Ordinary Shareholders' Meeting, and to any other place pursuant to a resolution passed at an Extraordinary Shareholders' Meeting.

Agencies, branch offices, warehouses and retail outlets may be established in any place and in any country, by simple resolution of the Board of Directors, which may later relocate or close these entities at its discretion.

Article 5 – Term

The term of the Company is ninety-nine years, starting from its date of incorporation, on the eighth day of October, in the year one thousand nine hundred and forty-six.

Part II

Share capital – Shares

Article 6 – Share capital

The share capital of the Company is 361,015,032 euros, consisting of 180,507,516 fully paid-up shares with a par value of 2 euros each, all of which belong to the same class.

The Company issued 4,351,808 shares further to the contribution by the various shareholders of Djedi Holding SA of 5,159,349 shares held in absolute ownership and 206,374 shares held in bare ownership in the said company, valued at 1,958,313,600 French francs.

Article 7 – Changes in the share capital

The share capital may be increased or decreased by a resolution of the Extraordinary Shareholders' Meeting, as provided by law.

The Shareholders' Meeting may delegate the authority or powers necessary to effect such a change to the Board of Directors.

Article 8 – Shares

PAYMENT

Shares subscribed in cash must be paid up, upon subscription, in an amount equivalent to at least one-quarter of their par value, plus, where applicable, the entirety of the issue premium. The remainder shall be called by the Board of Directors within a maximum period of five years.

Payment for shares may be made by offsetting against liquid and demandable receivables due from the Company.

Shareholders shall be informed of calls for funds at least fifteen days in advance, either by a notice inserted in a legal gazette published where the registered office is located or by registered letter with acknowledgment of receipt sent to each shareholder.

Shares allocated in the form of a contribution in kind or by way of the capitalization of unappropriated retained earnings, reserves or issue premiums as well as shares the amount of which results, in part, from a capitalization of reserves, unappropriated retained earnings or issue premiums and in part, from a cash payment, must be fully paid up upon issue.

Any late payment for shares incurs, automatically and without prior formal notice, an interest charge due to the Company, calculated at the legal rate in commercial matters as of the payment date, plus three percentage points.

FORM

Fully paid-up shares may be in registered or bearer form, at the discretion of the shareholder.

When the owner of the shares is not a French resident within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner. Such registration may be made in the form of a joint account or several individual accounts, each corresponding to one owner.

At the time such an account is opened through either the issuing company or the financial intermediary authorized as account holder, the registered intermediary shall be required to declare, under the terms and conditions laid down by decree, its capacity as intermediary holding shares on behalf of another party.

TRANSFER OF SHARES

Shares are freely negotiable, unless prohibited by applicable laws or regulations, in particular as regards shares with payments in arrears and contributing shares.

Registered shares are transferred via inter-account transfer based on the instructions of the account holder or his or her legal representative.

INDIVISIBILITY

Shares are indivisible as far as the Company is concerned. Joint holders of shares shall be required to be represented vis-à-vis the Company by only one of the joint holders or by a mutually agreed permanent representative.

RIGHTS ATTACHED TO THE SHARES

Ownership of a share automatically implies acceptance of these Bylaws and of resolutions passed by Shareholders' Meetings.

Each share entails the right to take part, as provided by law and these Bylaws, in Shareholders' Meetings and in votes on resolutions.

Each share entitles the holder to a share of corporate profits and assets proportional to the number of outstanding shares, in consideration of the par value of the shares.

All shares currently comprising, or that shall comprise in future, the Company's share capital are equivalent for tax purposes. Accordingly, each share shall entitle the holder, as much during the active existence of the Company as in the event of liquidation, to the payment of the same net amount at the time of any distribution or redemption, such that all taxes or tax exemptions relating to said distribution or redemption shall be consolidated, without distinction between the shares.

The liability of shareholders is limited to the amount of their contribution to the Company's share capital.

Under no circumstances may a shareholder's heirs, representatives or creditors apply for seals to be placed on or initiate proceedings against the Company's property and assets, request the division or public sale by auction of the same, nor interfere in any way with the actions of the Company's management. These individuals must refer to the Company's schedules of assets and liabilities and must respect the decisions of Shareholders' Meetings.

CROSSING OF SHAREHOLDER THRESHOLD

Any legal entity or natural person who comes to possess a number of shares representing more than 1% of the Company's share capital shall notify the Company no later than eight days after the crossing of this threshold and each time that a further threshold of 1% is crossed. However, this obligation shall cease to be applicable when the portion of capital held is equal to or greater than 60% of the Company's share capital.

In the event of a failure to comply with this disclosure obligation, the shares in excess of the percentage that should have been declared shall be deprived of their voting rights at any Shareholders' Meeting to be held within a period of three months following the date on which proper notification is made, provided that a request to this effect has been recorded in the minutes of the Shareholders' Meeting by one or more shareholders holding at least 5% of the Company's share capital.

IDENTIFIABLE BEARER SHARES

In order to identify the holders of securities, the Company is entitled to request, at any time, at its own expense, that the central custodian of financial instruments provide the name, or in the case of a legal entity, the Company name, the nationality, the year of birth or incorporation, and the address of the holders of shares conferring the right to vote, immediately or at some point in the future, at its own Shareholders' Meetings, as well as the number of shares held by such natural persons or legal entities and the restrictions, if any, which may exist upon the shares.

In light of the list sent by the aforementioned body, the Company shall be entitled to request information concerning the owners of the shares listed above, either through the intervention of that body, or directly, under the same terms and conditions and subject to the penalties stipulated in Article L. 228-3-2 of the French Commercial Code, of the persons appearing on that list and who might be, in the Company's opinion, registered on behalf of third parties.

When they act as intermediaries, such persons shall be required to disclose the identity of the owners of such shares. The information shall be provided directly to the authorized financial intermediary holding the account, who shall in turn be responsible for communicating it to the issuing company or the aforementioned body, as applicable.

Part III

Chapter I: Corporate governance

Article 9 – Membership of the Board of Directors

Subject to the exceptions provided by law, the Company is administered by a Board of Directors composed of at least three and no more than eighteen members, appointed by the Shareholders' Meeting for a term of office lasting three years.

A legal entity may be appointed as a Director but is required, at the time of its appointment, to designate an individual who shall serve as its permanent representative on the Board of Directors. The term of office of a permanent representative is the same as that of the legal entity Director he or she represents and must be reconfirmed at each renewal of the latter's term of office.

When the legal entity dismisses its permanent representative, it must at the same time provide for its replacement, and must send notification to the Company, by registered letter, of this dismissal as well as the identity of the new permanent representative. The same provision applies in case of death or resignation of the permanent representative.

A Director's appointment shall terminate at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which the term of office of said Director comes to an end.

However, in order to allow a renewal of the terms which is as egalitarian as possible and in any case complete for each three-year period, the Board of Directors will have the option of determining the order in which Directors' appointments expire by the impartial selection at a Board meeting of one-third of the Directors each year. Once the rotation has been established, renewals will take place according to seniority.

No one over the age of eighty-five years shall be appointed Director if, as a result of his or her appointment, the number of Directors who are more than eighty-five years old would exceed one-third of the members of the Board. The number of members of the Board of Directors who are more than eighty-five years old may not exceed one-third (rounded to the next higher number if this total is not a whole number) of the Directors in office. Whenever this limit is exceeded, the term in office of the oldest appointed member shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was exceeded.

Directors may be re-elected indefinitely. They may be revoked at any time by decision of the Ordinary Shareholders' Meeting.

In the event of the death or resignation of one or more Directors, the Board of Directors may make provisional appointments between two Shareholders' Meetings, subject to their ratification by the next Ordinary Shareholders' Meeting.

When the number of members of the Board of Directors falls below the statutory minimum, the remaining Directors must immediately convene an Ordinary Shareholders' Meeting in order to supplement the membership of the Board of Directors.

A Director appointed to replace another Director shall serve as Director only for the remainder of his, her or its predecessor's term of office.

Article 10 – Shares held by Directors

Each Director must own at least two hundred shares of the Company for the entire duration of his, her or its term of office.

If, when appointed, a member of the Board of Directors does not own the required number of shares, or if the member ceases to own this required number at any point in his, her or its term of office, the member shall be allowed a period of six months to purchase a sufficient number of shares, failing which he, she or it shall be automatically considered to have resigned.

Article 11 – Organization of the Board of Directors

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his or her term of office, which cannot exceed that of his or her office as Director.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his or her term of office, his or her appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

In case of temporary disability or death of the Chairman, the Board may temporarily delegate a Director to perform the duties of the Chairman. In case of temporary disability, this delegation is granted for a limited duration and is renewable. In case of death, it is granted until the election of the new Chairman.

The Board of Directors may also appoint a Secretary, who may or may not be chosen from among the members of the Board.

Article 12 – Operating procedures of the Board of Directors

1. The Board meets as often as required by the interests of the Company and at least every three months, and is convened by its Chairman on his or her own initiative, or if he or she is not also the Chief Executive Officer, at the request of the Chief Executive Officer or the Director temporarily delegated to perform the duties of Chairman.

   If the Board of Directors has not met for more than two months, a meeting may also be convened by any group of Directors, representing at least one-third of the members of the Board, who shall indicate the agenda of the meeting.

   Meetings are held at the registered office or at any other location specified in the convening notice. Board meetings are chaired by the Chairman of the Board of Directors, or by the Director temporarily designated to perform the duties of Chairman or, if unavailable, by another Director selected by the Board of Directors.

   Notice is served in the form of a letter sent to each Director, at least eight days prior to the meeting; it shall mention the agenda of the meeting as set by the person convening the meeting. However, the Board may meet without notice upon verbal notice and the agenda may be set at the opening of the meeting if all Directors in office are present or represented or when it is convened by the Chairman during a Shareholders' Meeting.

   Any Director may give a proxy to another Director, even by letter or cable, to represent him or her and vote on his or her behalf on resolutions of the Board of Directors, for a specific meeting. However, each Director may only dispose of one proxy during the meeting.

   An attendance register shall be kept and signed by all the Directors attending each meeting.

2. A meeting of the Board of Directors shall be valid if at least half of its members are present or represented.

   Directors who participate in Board meetings by means of videoconferencing or other telecommunication methods under the conditions defined by the internal rules of the Board of Directors shall be deemed to be present for the purposes of calculating the quorum and majority. However, actual presence or representation shall be necessary for any Board resolutions relating to the preparation of the parent company financial statements and consolidated financial statements, and to the drafting of the Management Report and the report on the Group's Management.

   Decisions are made by a majority of the votes of members present or represented. In the event of a tie vote, the Chairman's vote is the deciding vote.

3. Proceedings of the Board of Directors shall be officially recorded in the form of minutes in a special numbered and initialed minute book kept at the registered office, or on separate sheets, consecutively numbered and initialed.

   These minutes shall be signed by the Chairman of the meeting and by a Director. If the Chairman of the meeting is unavailable, they may be signed by two Directors.

   The production of abstracts or copies of the minutes to a meeting shall serve as sufficient justification of the number of Directors in office and their presence or representation by proxy at the meeting.

   To be valid, copies or abstracts of the minutes of the meeting shall be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary, the Director temporarily delegated to perform the duties of Chairman, or by a representative duly authorized to that effect.

   In the event of the liquidation of the Company, these copies or abstracts shall be validly certified by a single liquidator.

Article 13 – Powers of the Board of Directors

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limits of the corporate purpose, it addresses any issue relating to the Company's proper operation and settles the affairs concerning it through its resolutions.

In its relations with third parties, the Company is bound even by acts of the Board of Directors falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such a purpose or that it could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient proof thereof.

The Board of Directors performs such monitoring and verifications as it deems appropriate. Each Director receives all necessary information for completing his or her assignment and may request any documents he or she deems useful.

The Board of Directors shall exercise the powers defined by the law and regulations applicable in France, or delegated or authorized by a Shareholders' Meeting pursuant to said laws and regulations; these powers shall include inter alia:

- setting, annually, either an overall limit within which the Chief Executive Officer may undertake commitments on behalf of the Company in the form of sureties, endorsements, guarantees or letters of intent involving an obligation of means; or a maximum amount for each of the above commitments. The decision to exceed the overall limit or the maximum amount set for a commitment may be made only by the Board of Directors. The Chief Executive Officer may delegate all or part of the powers granted to him in accordance with law and regulations;
- the ability to set an annual limit on issues of bonds that may or may not entitle the holder to other bonds or existing equity securities, and to delegate to one or more of its members, the Chief Executive Officer or, with the latter's consent, one or more Group Managing Directors, the necessary powers to carry out and define the terms of bond issues within that limit. The Board of Directors must be notified of any use of such delegation of powers at its next meeting after a bond issue is launched.

Members of the Board of Directors shall be forbidden from divulging any information about the Company, even after their terms of office have ceased, where such disclosure may be prejudicial to the Company's interests, except where such disclosure is permitted by current law and regulations or for the public benefit.

The Board of Directors may adopt internal rules establishing, inter alia, its membership, duties and operating procedures and the responsibilities of its members.

The Board of Directors may also create special-purpose committees of Directors, which may be permanent or temporary. Such committees may include but are not limited to: a special-purpose Committee to monitor the preparation and auditing of accounting and financial information, a Committee that oversees compensation and a Committee that oversees appointments; a single Committee may oversee both compensation and appointments. Committee composition and responsibilities shall be set forth in internal regulations adopted by the Board of Directors.

The decisions of the Board of Directors shall be carried out either by the Chief Executive Officer or by any person specifically appointed by the Board for that purpose.

Furthermore, the Board may grant one of its members or any third parties, whether shareholders or not, any special offices for one or more specific purposes, with or without the option, for the persons so appointed, to themselves delegate, whether in full or in part, the performance of these duties.

Article 14 – Compensation of the Directors

The Shareholders' Meeting may allocate to the Directors in compensation for their services a fixed sum as attendance fees, the amount of which is to be included in the overhead expenses of the Company.

The Board shall divide the amount of these attendance fees among its members as it deems fit. In particular, it may decide to allow Directors who serve on committees a greater portion of these fees.

It may also allow exceptional compensation for specific duties or offices assigned to Directors.

These payments shall be subject to the legal provisions applicable to agreements requiring the prior authorization of the Board of Directors.

Article 14a – Advisory Board members

Between one and three Advisory Board members may be appointed. They may each be appointed for a term of no longer than three years. They may be re-elected. Their appointment or dismissal is subject to the same rules as those applying to Directors. However, Advisory Board members need not be shareholders and as such are not subject to rules relating to the holding of multiple appointments as Directors or to similar positions.

Advisory Board members are convened to the meetings of the Board of Directors, in which they have a consultative vote.

The compensation paid to Advisory Board members is determined each year by the Board of Directors and is set off from the total attendance fees allocated by the Shareholders' Meeting to the members of the Board of Directors.

The Advisory Board Members may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise.

Chapter II: Management of the Company

Article 15 – Chairman – General Management

I - CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors chairs the meetings of the Board, and organizes and directs its work, for which he or she reports to the Shareholders' Meeting. He/she shall ensure the proper operation of corporate bodies and, in particular, shall verify that the Directors are able to perform their duties.

The Board shall determine the compensation to be paid to the Chairman.

II - GENERAL MANAGEMENT

1. Choice between the two methods of General Management

The Company's General Management is performed, under his responsibility, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer, depending upon the decision of the Board of Directors choosing between the two methods of exercising the General Management function. It shall inform the shareholders thereof in accordance with the regulatory conditions.

When the Company's General Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him or her.

2. Chief Executive Officer

The Chief Executive Officer may or may not be chosen from among the Directors. The Board sets his or her term of office as well as his or her compensation. The age limit for serving as Chief Executive Officer is seventy years. Should the Chief Executive Officer reach this age limit, his or her term of office shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, it may give rise to damages, unless the Chief Executive Officer assumes the duties of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the most extensive powers to act under any circumstances on behalf of the Company. He/she exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the Shareholders' Meeting and to the Board of Directors.

He or she shall represent the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient to establish such proof.

The provisions of the Bylaws or decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not binding on third parties.

3. Group Managing Directors

Upon the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, with the title of Group Managing Director, for whom it shall set the compensation.

There may not be more than five Group Managing Directors serving in this capacity at the same time.

Group Managing Directors may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the dismissal is decided without just cause, it may give rise to damages.

When the Chief Executive Officer ceases to exercise his/her duties or is prevented from doing so, the Group Managing Directors remain in office with the same powers until the appointment of the new Chief Executive Officer, unless resolved otherwise by the Board.

In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers granted to Group Managing Directors. With regard to third parties, they shall have the same powers as the Chief Executive Officer.

The age limit for eligibility to perform the duties of Group Managing Director is seventy years. Should a Group Managing Director reach this age limit during his or her term of office, his or her appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

Chapter III: Company audit

Article 16 – Statutory Auditors

The Company shall be audited by one or more Statutory Auditors appointed by the Ordinary Shareholders' Meeting.

One or more alternate Statutory Auditors shall also be appointed.

The term of office for a Statutory Auditor is six fiscal years, expiring following the Ordinary Shareholders' Meeting convened to approve the financial statements for the sixth fiscal year.

Statutory Auditors may be removed from office by the Shareholders' Meeting in the event of negligence or inability.

They are required to attend meetings of the Board of Directors convened to approve the annual or half-yearly financial statements of the preceding fiscal year as well as all Shareholders' Meetings.

The compensation paid to Statutory Auditors is determined in accordance with applicable regulatory procedures.

A Statutory Auditor appointed to replace another shall remain in office only until the expiration of the term of office of his or her predecessor.

Part IV

Shareholders' Meetings

Chapter I: General provisions

Article 17

IMPACT OF DECISIONS

Shareholders' Meetings deemed to be duly convened and held represent all shareholders. Decisions taken during Shareholders' Meetings, in accordance with the law and the provisions of these Bylaws, shall be binding for all shareholders, even those who are absent, indisposed or dissenting.

CONVENING NOTICES

Shareholders meet every year, within six months of the end of each fiscal year, at an Ordinary Shareholders' Meeting.

Additional Shareholders' Meetings may be convened at any time during the year, whether as Ordinary Shareholders' Meetings held on an extraordinary basis or as Extraordinary Shareholders' Meetings.

Shareholders' Meetings shall be convened and held as provided by law.

One or more shareholders who together hold at least 10% of the company's subscribed share capital may also request that the Board of Directors convene a Shareholders' Meeting, and draw up its agenda.

Convening notices are sent to shareholders at least fifteen days prior to the planned date of the Shareholders' Meeting. This period is reduced to ten days for reconvened Shareholders' Meetings and for postponed meetings.

ATTENDANCE

The Shareholders' Meeting comprises all shareholders, irrespective of the number of shares they own.

The right to attend and vote at Shareholders' Meetings is subject to the registration of the shareholder in the Company's share register.

A shareholder is entitled to attend and vote at any meeting provided that the shares held are registered in the accounts in the name of the shareholder or intermediary authorized to act on his or her behalf as of 00:00 (midnight), Paris time, two business days prior to the meeting, either in the accounts of registered shares maintained by the Company or in the accounts of bearer shares maintained by the officially authorized financial intermediary. The registration of bearer shares in the accounts is certified by a statement delivered by the financial intermediary authorized as account holder.

Holders of shares not paid up within a period of thirty calendar days from the notice issued by the Company shall not be admitted to Shareholders' Meetings. These shares shall be subtracted when calculating the quorum.

A shareholder can always be represented in a valid manner at a Shareholders' Meeting by another shareholder, his or her spouse, the partner with whom he or she has entered into a "Pacte civil de solidarité" (PACS, the French civil union contract), or any other private individual or legal entity of his or her choice. Written notice must be sent to the Company of the appointment of any proxy, and where applicable the rescindment of this appointment.

Shareholders may address their proxy form and/or their voting form for any meeting, in accordance with applicable laws and regulations, either by mail or, if decided by the Board of Directors, by electronic transmission.

Pursuant to the provisions of Article 1316-4, paragraph 2 of the French Civil Code, in the event of the use of an electronically submitted form, the shareholder's signature shall make use of a reliable identification process that ensures the link with the document to which it is attached.

A shareholder who has voted by mail or by electronic transmission, sent a proxy or requested an admittance card or certificate stating the ownership of shares may not select another means of taking part in the meeting.

Any shareholder not deprived of voting rights may be appointed as a proxy by another shareholder in order to be represented at a meeting.

Any intermediary who meets the requirements set forth in paragraphs 7 and 8 of Article L. 228-1 of the French Commercial Code may, pursuant to a general securities management agreement, transmit to a Shareholders' Meeting the vote or proxy of a shareholder, as defined in paragraph 7 of that same article.

Before transmitting any proxies or votes to a Shareholders' Meeting, the intermediary registered pursuant to Article L. 228-1 of the French Commercial Code shall be required, at the request of the issuing company or its agent, to provide a list of the non- resident owners of the shares to which such voting rights are attached. Such a list shall be supplied as provided by either Article L. 228-2 or Article L. 228-3 of the French Commercial Code, whichever is appropriate.

A vote or proxy issued by an intermediary who either is not declared as such, or does not disclose the identity of the shareholders, may not be counted.

Legal representatives of legally incapacitated shareholders, and natural persons representing shareholders that are legal entities, shall take part in meetings regardless of whether or not they personally are shareholders.

Shareholders have as many votes as they hold shares. However, a voting right equal to twice the voting right attached to other shares, with respect to the portion of the share capital that they represent, is granted:

- to all fully paid-up registered shares which can be shown to have been registered to the same shareholder for at least three years;
- to registered shares allocated to a shareholder, in the event of an increase in the share capital by way of capitalization of reserves, earnings or additional paid-in capital, on the basis of shares already held that bear such entitlement.

This double voting right shall automatically lapse in the case of registered shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses or deed of gift inter vivos to the benefit of a spouse or an heir shall neither cause the acquired right to be lost nor interrupt the abovementioned three-year qualifying period. The same shall also apply to any transfer, following the merger or spin-off of a shareholding company, to the absorbing company or the company benefiting from the spin-off, or, as the case may be, to the new company created as a result of the merger or spin-off.

When a Works Council exists within the Company, two of its members, appointed by the Council, may attend Shareholders' Meetings. At their request, their opinions must be heard on the occasion of any vote requiring the unanimous approval of shareholders.

Article 18 – Convening and conduct of Shareholders' Meetings

Shareholders' Meetings shall be convened as provided by law.

Meetings are held at the registered office or at any other place mentioned in the convening notice.

In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, Shareholders' Meetings may also be held by means of videoconference or through the use of any telecommunications media allowing the identification of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman of the Board of Directors or, in the absence of both of these individuals, by a member of the Board of Directors appointed by the Board for that purpose. If no Chairman has been appointed, the shareholders at the meeting elect the Chairman.

The agenda of the meeting shall be set, in the usual course of events, by the person(s) convening the meeting.

The two members of the meeting present, having the greatest number of votes, and accepting that role, are appointed as scrutineers.

The officers of the meeting appoint a secretary, who may but need not be a shareholder.

An attendance sheet is drawn up and initialed by the shareholders present, and certified as accurate by the officers of the meeting.

Proceedings of the Shareholders' Meeting shall be officially recorded in the form of minutes in a special numbered and initialed minute book kept at the registered office, or on separate sheets, consecutively numbered and initialed.

These minutes shall be signed by the officers of the meeting. Copies or abstracts of the minutes shall be validly certified by the Chairman of the Board of Directors, by a Director temporarily delegated to perform the duties of the Chief Executive Officer, or by the secretary of the meeting.

Chapter II: Ordinary Shareholders' Meetings

Article 19 – Powers

The shareholders at the Ordinary Shareholders' Meeting shall hear the reports prepared by the Board of Directors, its Chairman, and the Statutory Auditors. They also review the financial statements prepared by the Company.

The shareholders at the meeting discuss, approve, amend or reject the financial statements submitted. They decide upon the distribution and appropriation of profits.

They decide upon any amounts to be allocated to reserve funds. They also determine the amounts to be withdrawn from reserves and decide upon their distribution.

They determine the total amount of attendance fees to be allocated to the members of the Board of Directors.

They appoint, replace, re-elect or dismiss Directors.

They ratify any appointments of Directors made on a provisional basis by the Board of Directors.

They appoint the Statutory Auditors and examine their special report.

They hear all proposals that do not fall within the exclusive remit of the Extraordinary Shareholders' Meeting.

Article 20 – Quorum and majority

In order to pass valid resolutions, the Ordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fifth of total voting shares.

When convened upon second notice, the deliberations of an Ordinary Shareholders' Meeting shall be valid regardless of the number of shares represented.

The resolutions are approved by a majority of validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

Chapter III: Extraordinary Shareholders' Meetings

Article 21 – Powers

The shareholders at the Extraordinary Shareholders' Meeting may amend the Bylaws in any of its provisions and may also decide upon the transformation of the Company into a company having any other legal form.

The shareholders may vote at an Extraordinary Shareholders' Meeting to delegate to the Board of Directors the power to make necessary amendments to the Bylaws to harmonize them with legal and regulatory requirements, subject to any such amendments being ratified at the next Extraordinary Shareholders' Meeting.

However, in no event, unless by unanimous decision of the shareholders, may it increase the duties of the latter, nor may it violate the principle of equal treatment of all shareholders, except in the case of transactions resulting from a duly completed regrouping of shares.

Article 22 – Quorum and majority

1. In order to pass valid resolutions, the Extraordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fourth of total voting shares. The deliberations of an Extraordinary Shareholders' Meeting convened upon second notice or held as a result of the postponement of the meeting convened upon second notice shall be valid provided it consists of shareholders holding at least one-fifth of total voting shares.

   The resolutions are approved by a two-thirds majority of validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

2. When deciding upon or authorizing the Board of Directors to effect a capital increase through the capitalization of reserves, unappropriated retained earnings, or issue premiums, resolutions are passed subject to the quorum and majority conditions of Ordinary Shareholders' Meetings.

3. A capital increase effected by way of an increase in the par value of shares to be paid up in cash, or through the offsetting of receivables, requires the unanimous approval of shareholders, representing the entirety of shares making up the share capital.

Chapter IV: Constitutive Shareholders' Meetings

Article 23 – Quorum and majority

The shareholders at Constitutive Shareholders' Meetings, which are those convened to approve contributions in kind or benefits in kind, shall pass valid resolutions subject to the quorum and majority conditions of Extraordinary Shareholders' Meetings specified in the previous article.

At these meetings, neither the contributor nor the recipient may vote, on his or her own behalf or as a proxy. His or her shares shall not be taken into account when calculating the quorum and majority.

Part V

Parent company financial statements

Article 24 – Fiscal year

Each fiscal year lasts twelve months, commencing on the first day of January and ending on the thirty-first day of December of each year.

Article 25 – Company accounts

Regular accounts shall be kept of the Company's operations in conformity with the law and normal commercial practice.

At the end of each fiscal year, the Board of Directors shall draw up the schedule of the assets and liabilities existing as of the fiscal year-end as well as the annual accounts. The amount of commitments in the form of sureties, guarantees or collateral shall be mentioned in the balance sheet.

The Board of Directors shall also draw up a Management Report.

All of these documents shall be made available to the Statutory Auditors in accordance with applicable laws and regulations.

Article 26 – Distributable earnings

1. The net proceeds of each fiscal year, minus general expenses and other expenses incurred by the Company, including all amortization, depreciation and provisions, represents the net profit or loss of the fiscal year.
2. From the net profit for each fiscal year, minus prior losses, if any, an amount equal to at least one-twentieth must be deducted and allocated to the formation of a "legal reserve" fund. This deduction is no longer required when the amount of the legal reserve has reached one-tenth of the share capital. It is resumed when, for whatever reason, the legal reserve falls below this fraction.
3. Distributable earnings consist of the remaining balance, plus any profits carried forward.

   From these distributable earnings:

   The Shareholders' Meeting may deduct the necessary amounts for allocation to the special reserve for long-term capital gains, as provided for by current tax provisions, if other legal or optional reserves do not allow such a contribution at the time the allocation is taxable in order to defer payment at the full corporate income tax rate applicable to long-term capital gains realized during the fiscal year.

   The Shareholders' Meeting may then deduct from the balance such sums as it deems appropriate, either to be carried forward to the following fiscal year, or to be applied to one or more general or special reserve funds, whose allocation or use it shall freely determine.

   Any remaining balance is to be distributed among all shareholders in the form of a dividend, prorated in accordance with the share capital represented by each share.

   The Shareholders' Meeting convened to approve the fiscal year's financial statements may grant each shareholder, upon the proposal of the Board of Directors, in relation to all or part of the dividend distributed, a choice between payment of the dividend in cash or in shares. The Board of Directors has the same authority for the distribution of interim dividends.

   In addition, the Shareholders' Meeting may decide to distribute assets recorded in the balance sheet of the Company and, in particular, securities by taking sums from the profits, retained earnings, reserves or premiums. The Shareholders' Meeting may decide that rights forming fractional shares shall neither be tradable nor assignable. The Shareholders' Meeting may notably decide that, when the portion of the distribution to which the shareholder is entitled does not correspond to a whole number in the unit of measure used for the distribution, the shareholder shall receive the whole number, in the unit of measure, immediately below that amount, together with an equalization payment in cash.
4. Except in the case of a capital reduction, no distribution may be made to shareholders when equity is or would subsequently become less than the total share capital.
5. When a balance sheet, drawn up during or at the end of the fiscal year and certified by a Statutory Auditor, shows that the Company, since the close of the preceding fiscal year, after having made the necessary charges to depreciation, amortization and provisions, and after deduction of prior losses, if any, as well as of the amounts which are to be allocated to the reserves provided by law or by these Bylaws, and taking into account profits carried forward, if any, has available earnings, the Board of Directors may resolve to distribute interim dividends prior to the approval of the financial statements of the fiscal year, and may determine the terms thereof notably with regard to the amount and date. These interim dividends may be distributed in cash or in kind, notably in the form of assets from the Company's balance sheet (which may include securities). In the event of an interim distribution in kind, the Board of Directors may decide that fractional rights will be neither negotiable nor transferable. The Board of Directors may notably decide that, when the portion of the distribution to which the shareholder is entitled does not correspond to a whole number in the unit of measure used for the distribution, the shareholder shall receive the whole number, in the unit of measure, immediately below that amount, together with an equalization payment in cash. The amount of such interim dividends cannot exceed the amount of the profits as defined in this paragraph.

Part VI

Transformation – Dissolution – Extension – Liquidation – Litigation

Article 27 – Transformation

The Company may be transformed into a company having a different legal form provided that, at the time of the transformation, it has been in existence for at least two years and the balance sheets of its first two years of existence have been approved by the shareholders.

Any transformation of the Company must be decided upon and published as provided by law.

Article 28 – Net assets amounting to less than one-half of the share capital

If, as a consequence of losses showed by the Company's accounts, the equity of the Company is reduced to below one-half of the share capital of the Company, the Board of Directors shall, within four months of the approval of the accounts showing such a loss, convene an Extraordinary Shareholders' Meeting in order to decide whether the Company ought to be dissolved before its statutory term.

If the dissolution is not resolved, the Company must, no later than the end of the second fiscal year following the fiscal year during which the losses were established, reduce its share capital by an amount at least equal to the losses which could not be charged to reserves if, by the conclusion of the aforementioned period, the net assets have not been replenished to an amount at least equal to one-half of the share capital.

In either case, the resolution adopted by the Shareholders' Meeting shall be published, in accordance with the law.

Article 29 – Premature dissolution – Extension

An Extraordinary Shareholders' Meeting may at any time declare the premature dissolution of the Company or, at the expiration of the Company's term of existence, its extension.

At least one year prior to the expiration of the Company's term of existence, the Board of Directors shall convene an Extraordinary Shareholders' Meeting, in order to decide whether the Company's term ought to be extended.

Article 30 – Liquidation

Upon the expiration of the Company's term of existence or in the event of its premature dissolution, the Shareholders' Meeting shall decide the methods of liquidation and appoint one or several liquidators whose powers it shall determine.

The appointment of the liquidator(s) terminates the office of the Directors and that of the Statutory Auditors.

During the period of the liquidation, the Shareholders' Meeting shall retain the same powers as those it exercised during the existence of the Company.

The net proceeds of the liquidation, after payment of liabilities, shall be used first for the repayment of the amount paid up on shares that has not already been repaid to shareholders by the Company, with the balance divided among all the shares.

The shareholders are convened at the end of the liquidation in order to decide on the final accounts, to discharge the liquidators from liability for their acts of management and the performance of their office, and to formally acknowledge the termination of the liquidation process. The conclusion of the liquidation shall be published as provided by law.

Article 31 – Litigation – Election of domicile

Any litigation that may arise, during the term of existence of the Company or its liquidation, either between the shareholders and the Company, or among the shareholders themselves, with respect to Company activities, shall be heard by the competent courts with jurisdiction over the location of the Company's registered office.

To this end, all shareholders must elect domicile within the same area of jurisdiction as the registered office and all summons or notices shall be validly served at this domicile.

Where no such domicile is elected, summons and notices shall be validly served before the Procureur de la République (French public prosecutor) at the Tribunal de Grande Instance (French civil court) that has jurisdiction over the location of the registered office.

Report of the Board of Directors on the draft resolutions

1. Approval of the financial statements for the fiscal year and of related-party agreements

The first items of business relate to:

- the approval of the financial statements: you will be asked to vote to approve the financial statements of the parent company Christian Dior SE (**first resolution**) as well as the Group's consolidated financial statements (**second resolution**);
- the allocation of net profit (**third resolution**): the dividend to be distributed in cash will amount to 5.00 euros per share.

  Taking into account the interim dividend of 1.60 euros per share paid on December 7, 2017, the balance of 3.40 euros per share will be payable on April 19, 2018;
- the approval of related-party agreements (**fourth resolution**): details of these agreements are set out in the Statutory Auditors' special report.

2. Membership of the Board of Directors

It is proposed that you:

- ratify the appointment of Nicolas Bazire as Director, who was co-opted to the Board on July 26, 2017 (**fifth resolution**). Nicolas Bazire will serve for the remainder of his predecessor's term of office, which will end at the close of the Ordinary Shareholders' Meeting convened in 2019 to approve the financial statements for the previous fiscal year;
- renew the terms of office of Delphine Arnault and Hélène Desmarais as Directors (**sixth and seventh resolutions**) as well as Jaime de Marichalar y Sáenz de Tejada's term of office as Advisory Board member (**eighth resolution**), for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Biographies of Delphine Arnault, Hélène Desmarais and Nicolas Bazire are presented in §1.4.1 and that of Jaime de Marichalar y Sáenz de Tejada is presented in §1.9.2 of the Board of Directors' report on corporate governance.

3. Compensation of senior executive officers

3.1. COMPENSATION PAID OR GRANTED IN RESPECT OF THE FISCAL YEAR ENDED DECEMBER 31, 2017

Pursuant to Article L. 225-100 of the French Commercial Code, you are hereby asked to approve the components of the total compensation and benefits in kind paid or granted to Bernard Arnault and Sidney Toledano as a result of their term of office at Christian Dior SE in respect of the fiscal year ended December 31, 2017 (**ninth and tenth resolutions**).

Summary of compensation paid or granted to each senior executive officer

Christian Dior SE did not pay any fixed or variable compensation to Bernard Arnault in respect of fiscal year 2017.

Bernard Arnault

Item of compensation *(EUR)*	**Gross amount granted/paid in respect of fiscal year 2017**	**Observations**
Fixed compensation	-	Bernard Arnault did not receive any fixed compensation from Christian Dior SE in respect of fiscal year 2017.
Variable compensation	-	Bernard Arnault did not receive any variable compensation from Christian Dior SE in respect of fiscal year 2017.
Medium-term incentive plan	-	Not applicable.
Exceptional compensation	-	Not applicable.
Bonus performance shares	-	No bonus share plans were set up by Christian Dior SE during the fiscal year ended December 31, 2017.
Directors' fees	16,413	See §2.1.1 of the Board of Directors' report on corporate governance.
Benefits in kind	-	No benefits in kind are granted by Christian Dior SE.
Severance pay	-	Not applicable.
Non-compete payment	-	Not applicable.
Supplementary pension plan	-	This supplementary pension plan is set up by the LVMH group.

Sidney Toledano

Item of compensation *(EUR)*	Gross amount granted/paid in respect of fiscal year 2017	Observations
Fixed compensation	-	Sidney Toledano did not receive any fixed compensation from Christian Dior SE in respect of fiscal year 2017.
Variable compensation	-	Sidney Toledano did not receive any variable compensation from Christian Dior SE in respect of fiscal year 2017.
Medium-term incentive plan	• Compensation: 8 million euros • LVMH bonus share award valued at 8 million euros	Granted on the basis of Christian Dior Couture's financial performance, evaluated in particular in relation to growth in its consolidated operating profit between 2014 and 2017. Qualitative criteria include improvement in the attractiveness of the Christian Dior brand and market share gains. An assessment of these qualitative criteria was carried out by the Nominations and Compensation Committee.
Exceptional compensation	-	None.
Bonus performance shares	-	No bonus share plans were set up by Christian Dior SE during the fiscal year ended December 31, 2017.
Directors' fees	9,848	See §2.1.1 of the Board of Directors' report on corporate governance.
Benefits in kind	-	Company car. This benefit is not granted by Christian Dior SE.
Severance pay	-	Not applicable.
Non-compete payment	-	Employment contract suspended for the duration of his term of office as Chairman and Chief Executive Officer of Christian Dior Couture, a contract having expired on January 31, 2018. It included a clause providing for a non-compete payment over a period of 24 months equivalent to his average monthly gross salary received during the previous 12-month period.
Supplementary pension plan	-	Not applicable.

Specific pension

LVMH SE has set up a defined-benefit pension plan, in accordance with the provisions of Article L. 137-11 of the French Social Security Code, for senior executives.

Supplementary pension rights only vest if the potential recipient has been an LVMH Executive Committee member for at least six years and liquidates his or her pension benefits under external plans at the same time as his or her functions are terminated at the LVMH group; this is not required if the potential recipient leaves the LVMH group at the latter's request after the age of 55 and resumes no other professional activity until his or her external pension plans are liquidated. This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of the individual's career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017).

The annual supplementary retirement benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France (under the general social security plan and the mandatory ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2017, the total amount of standard and supplementary pensions may not exceed 823,788 euros per year.

On the basis of compensation paid to the Chairman of the Board of Directors by the LVMH group in 2017, the supplementary pension benefit payable to him would therefore not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.

Given the characteristics of the plan set up by LVMH and Bernard Arnault's personal situation, the supplementary pension that he may qualify for no longer gives rise to the annual vesting of additional benefits and therefore no longer results in any associated increase in LVMH's financial commitment.

3.2. COMPENSATION POLICY

In accordance with Article L. 225-37-2 of the French Commercial Code, it is proposed that you approve the principles and criteria used to determine, allocate and award the fixed and variable components of the total compensation and benefits in kind payable to the Chairman of the Board of Directors and the Chief Executive Officer for performing their duties during the 2018 fiscal year and constituting the compensation policy applicable to them (**eleventh resolution**).

These principles and criteria approved by the Board of Directors at its meeting of February 2, 2018, on the recommendation of the Nominations and Compensation Committee at its meeting of February 2, 2018, are set out in the Board of Directors' report on corporate governance (§2.1.1) as provided for by the aforementioned article.

4. Authorizations proposed to the Shareholders' Meeting

4.1. SHARE REPURCHASE PROGRAM (Articles L. 225-209 et seq. of the French Commercial Code)

Summary table of resolutions submitted for the approval of the Shareholders' Meeting of April 12, 2018

Type	Resolution	Duration	Amount authorized
Share repurchase program Maximum purchase price: 450 euros	12th	18 months	10% of the share capital (a)
Capital reduction through retirement of shares purchased under the repurchase program	14th	18 months	10% of the share capital per 24-month period (a)

(a) As a guide, this equates to 18,050,751 shares on the basis of the authorized share capital as of December 31, 2017.

It is proposed that you authorize the Board of Directors to purchase the Company's shares for a period of 18 months from the date of this Shareholders' Meeting. These acquisitions may be carried out to meet any objective compatible with provisions in force at the time, and in particular to (i) provide market liquidity, (ii) allocate shares in order to cover stock option plans, bonus share awards or any other employee share ownership operations, (iii) cover securities conferring entitlement to the Company's shares, (iv) retire them, or (v) hold them for subsequent exchange or payment in connection with any external growth transactions (further details on transactions carried out under the previous program are set out in §6.1 of the Management report of the Board of Directors – Christian Dior parent company). Unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this authorization from the date on which a third party files a proposal for a tender offer for the shares of the Company and until the end of the offer period.

The purchase price at which the Company may acquire its own shares may not exceed 450 euros per share, with the understanding that the Company may not purchase shares at a price greater than the higher of the following two values: the last quoted share price resulting from the execution of a transaction in which the Company was not a stakeholder, or the highest current independent purchase offer on the trading platform where the purchase is to take place.

This authorization would supersede the delegation granted by the Shareholders' Meeting of December 6, 2016 in its **twelfth resolution**.

It is also proposed that you authorize the Board of Directors, for a period of 18 months from the date of this Shareholders' Meeting, to reduce the Company's share capital through the retirement of some or all of the shares repurchased or to be repurchased by the Company, up to a maximum of 10% of the share capital per 24-month period. The authorization to reduce the share capital through the retirement of shares acquired under the share repurchase program may be used in particular to offset the dilution resulting from the exercise of share subscription options. This authorization would supersede the delegation granted by the Shareholders' Meeting of December 6, 2016 in its **fourteenth resolution**.

4.2. FINANCIAL AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS TO DECIDE ON ISSUES OF SHARES, EQUITY SECURITIES OR OTHER SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL, WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS (Articles L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code)

Summary table of resolutions submitted for the approval of the Shareholders' Meeting of April 12, 2018

Type	Resolution	Duration	Amount authorized	Issue price determination method
Through the capitalization of profits, reserves, additional paid-in capital or other items (Articles L. 225-129-2 and L. 225-130)	13th	26 months	80 million euros (a)	Not applicable
With preferential subscription rights – ordinary shares and securities giving access to the share capital	15th	26 months	80 million euros (a) (b)	Free
Without preferential subscription rights – ordinary shares and securities giving access to the share capital:				
• by means of public offering (Articles L. 225-135 et seq.)	16th	26 months	80 million euros (a) (b)	At least equal to the minimum price required by regulations (c)
• by means of private placement (Articles L. 225-135 et seq.)	17th	26 months	80 million euros (a) (b) Issue of securities limited to 20% of the share capital per year, determined as of the issue date	At least equal to the minimum price required by regulations (c)
Increase in the number of securities to be issued in the event that the issue is oversubscribed in connection with capital increases, with or without preferential subscription rights, carried out pursuant to the 15th, 16th and 17th resolutions	19th	26 months	Up to a maximum of 15% of the initial issue	Same price as the initial issue
In connection with a public exchange offer (Article L. 225-148)	20th	26 months	80 million euros (a)	Free
In connection with in-kind contributions (Articles L. 225-147 et seq.)	21st	26 months	10% of the share capital (d)	Free

(a) Maximum nominal amount. As a guide, this equates to 40,000,000 shares on the basis of the authorized share capital as of December 31, 2017. Not to exceed the overall limit of 80 million euros set out in the 24th resolution of the Shareholders' Meeting of April 12, 2018, or, where applicable, any other limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation.
(b) Provided the overall limit of 80 million euros referred to in (a) is not exceeded, this amount may be increased by up to 15% of the initial issue in the event that the issue is oversubscribed (19th resolution).
(c) Up to a maximum of 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is at least equal to 90% of the weighted average of the share price over the three trading days immediately preceding its determination (18th resolution).
(d) As a guide, this equates to 18,050,751 shares on the basis of the authorized share capital as of December 31, 2017. The corresponding amount would count towards, and may therefore not exceed, the overall limit of 80 million euros referred to above.

It is proposed that you authorize your Board of Directors to increase the share capital by either of the following means:

- capital increases through the capitalization of profits, reserves, additional paid-in capital or other items and awards of new shares to the shareholders or by raising the par value of existing shares (**thirteenth resolution**);
- issues, either with preferential subscription rights (**fifteenth resolution**) or without preferential subscription rights by way of public offerings with the option of granting a priority right (**sixteenth resolution**) or through a private placement limited to qualified investors or a select group of investors (**seventeenth resolution**), it being specified that the Board of Directors would be authorized to set the issue price in accordance with certain exceptional rules and in a total issue amount not to exceed 10% of the share capital per year (**eighteenth resolution**).

  These authorizations include the option for the Board of Directors to increase the number of shares to be issued in the event that the issue is oversubscribed (**nineteenth resolution**);
- capital increases through the issue of shares and/or equity securities giving access to other equity securities of the Company or that confer rights to the allocation of debt securities in consideration for securities tendered to a public exchange offer (**twentieth resolution**) or for in-kind contributions of equity securities (**twenty-first resolution**).

The Shareholders' Meeting of December 6, 2016 authorized the Board of Directors, for a period of 26 months, to carry out issues, with or without preferential subscription rights for existing shareholders, of shares or securities giving access to the share capital or of securities that confer rights to the allocation of debt securities, with the exception of issues of preference shares or securities giving access to preference shares.

Your Board of Directors has not used these delegations of authority. It is proposed that you renew these authorizations and delegations of authority for a period of 26 months to give your Board of Directors greater flexibility to seize market opportunities or finance the Group's growth. These authorizations and delegations of authority would supersede, as of the Shareholders' Meeting of April 12, 2018, those granted by the Shareholders' Meeting of December 6, 2016.

Unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use these delegations of authority from the date on which a third party files a proposal for a tender offer for the shares of the Company and until the end of the offer period.

4.3. EMPLOYEE SHARE OWNERSHIP

Summary table of resolutions submitted for the approval of the Shareholders' Meeting of April 12, 2018

Type	Resolution	Duration	Amount authorized	Exercice price determination method
Granting of share subscription or purchase options (Articles L. 225-177 et seq.)	22nd	26 months	1% of the share capital (a)	Average share price over the 20 trading days preceding the grant date (b) with no discount
Bonus share awards (Articles L. 225-197-1 et seq.)	25th	26 months	1% of the share capital (a)	Not applicable
Capital increase reserved for employees who are members of a company savings plan (Article L. 225-129-6)	23rd	26 months	1% of the share capital (a)	Average share price over the 20 trading days preceding the grant date with a maximum discount of 20%

(a) As a guide, this equates to 1,805,075 shares on the basis of the authorized share capital as of December 31, 2017. Not to exceed the overall limit of 80 million euros set out in the 24th resolution of the Shareholders' Meeting of April 12, 2018 or any other limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation.
(b) In the case of purchase options, the price may not be lower than the average purchase price of the shares.

It is also proposed that you renew the authorization to grant share subscription or purchase options to employees and/or senior executive officers of the Company and of any related entities up to a maximum of 1% of the share capital (**twenty-second resolution**) and that you authorize the Board of Directors to award bonus shares in the form of newly issued or existing shares to employees and/or senior executive officers of the Company and of any related entities up to a maximum of 1% of the share capital (**twenty-fifth resolution**).

These two authorizations would provide the Board of Directors with different ways to build loyalty among the Group's employees and managers who contribute most directly to its results by giving them a stake in its future performance.

The various authorizations proposed to the shareholders to increase the share capital entail the obligation to put a resolution to the vote at the Shareholders' Meeting allowing for a possible capital increase through an issue reserved for Group employees enrolled in a company savings plan (**twenty-third resolution**).

These delegations of authority would be granted for a period of 26 months dating from the Shareholders' Meeting of April 12, 2018 and would supersede, from that same date, the unused portion of the delegations granted by the Shareholders' Meeting of December 6, 2016 in its 22nd and 23rd resolutions.

4.4. OVERALL LIMIT

The maximum nominal amount of capital increases carried out under the preceding resolutions would count toward the overall limit of eighty (80) million euros set out in the **twenty-fourth resolution**, provided the latter is approved by the Shareholders' Meeting of April 12, 2018 or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of these delegations.

The total nominal amount of the Company's debt securities that may be issued pursuant to these delegations may not exceed five (5) billion euros.

5. Amendments to the Bylaws

It is also proposed that you amend Article 14a of the Bylaws relating to Advisory Board members, in order to specify the duties and prerogatives that may be entrusted to them (**twenty-sixth resolution**).

Consolidated financial statements

1. Consolidated income statement

(EUR millions, except earnings per share)	*Notes*	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Revenue	*23-24*	**43,666**	**21,436**	**37,968**
Cost of sales		(15,084)	(7,401)	(13,078)
Gross margin		**28,582**	**14,035**	**24,890**
Marketing and selling expenses		(16,959)	(8,180)	(15,190)
General and administrative expenses		(3,250)	(1,618)	(2,907)
Income (loss) from investments in joint ventures and associates	*7*	-	1	(1)
Profit from recurring operations	*23-24*	**8,373**	**4,238**	**6,792**
Other operating income and expenses	*25*	(174)	(93)	(196)
Operating profit		**8,199**	**4,145**	**6,596**
Cost of net financial debt		(81)	(63)	(97)
Other financial income and expenses		(122)	(221)	(270)
Net financial income (expense)	*26*	**(203)**	**(284)**	**(367)**
Income taxes	*27*	(2,243)	(1,137)	(2,065)
Net profit before minority interests		**5,753**	**2,724**	**4,164**
Minority interests	*17*	3,513	1,666	2,595
Net profit, Group share		**2,240**	**1,058**	**1,569**
Basic Group share of net earnings per share *(EUR)*	*28*	**12.47**	**5.90**	**8.75**
Number of shares on which the calculation is based		179,596,082	179,367,681	179,213,608
Diluted Group share of net earnings per share *(EUR)*	*28*	**12.40**	**5.86**	**8.69**
Number of shares on which the calculation is based		180,093,616	179,973,046	179,894,454

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	*Notes*	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Net profit before minority interests		**5,753**	**2,724**	**4,164**
Translation adjustments		(991)	268	(238)
Amounts transferred to income statement		25	(32)	-
Tax impact		(49)	1	(2)
	15.4	**(1,015)**	**237**	**(240)**
Change in value of available for sale financial assets	*8, 13*	274	92	(130)
Amounts transferred to income statement	*8, 13*	(32)	24	(22)
Tax impact		(57)	(4)	7
		185	**112**	**(145)**
Change in value of hedges of future foreign currency cash flows		372	9	(28)
Amounts transferred to income statement		(104)	(14)	27
Tax impact		(77)	1	(4)
		191	**(4)**	**(5)**
Gains and losses recognized in equity, transferable to income statement		**(639)**	**345**	**(390)**
Change in value of vineyard land	*6*	(35)	30	64
Amounts transferred to consolidated reserves		-	-	-
Tax impact		81	108	(22)
		46	**138**	**42**
Employee benefit commitments: change in value resulting from actuarial gains and losses		60	(8)	(40)
Tax impact		(22)	(6)	8
		38	**(14)**	**(32)**
Gains and losses recognized in equity, not transferable to income statement		**84**	**124**	**10**
Gains and losses recognized in equity		**(555)**	**469**	**(380)**
Comprehensive income		**5,198**	**3,193**	**3,784**
Minority interests		3,144	1,967	2,387
COMPREHENSIVE INCOME, GROUP SHARE		**2,054**	**1,226**	**1,397**

3. Consolidated balance sheet

Assets

(EUR millions)	*Notes*	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Brands and other intangible assets	*3*	16,078	16,069	16,269
Goodwill	*4*	12,301	11,045	11,256
Property, plant and equipment	*6*	13,218	12,962	12,106
Investments in joint ventures and associates	*7*	639	764	753
Non-current available for sale financial assets	*8*	789	750	651
Other non-current assets	*9*	869	823	711
Deferred tax	*27*	1,738	2,136	2,158
Non-current assets		**45,632**	**44,549**	**43,904**
Inventories and work in progress	*10*	10,908	10,929	11,053
Trade accounts receivable	*11*	2,737	2,785	2,237
Income taxes		780	297	357
Other current assets	*12*	5,119	2,452	2,318
Cash and cash equivalents	*14*	7,586	3,772	3,035
Current assets		**27,130**	**20,235**	**19,000**
TOTAL ASSETS		**72,762**	**64,784**	**62,904**

Liabilities and equity

(EUR millions)	*Notes*	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Share capital	*15.1*	361	361	361
Share premium account	*15.1*	194	194	194
Christian Dior treasury shares	*15.2*	(72)	(104)	(109)
Cumulative translation adjustment	*15.4*	154	520	441
Revaluation reserves		620	442	351
Other reserves		9,285	9,367	8,260
Net profit, Group share		2,240	1,058	1,569
Equity, Group share		**12,782**	**11,838**	**11,067**
Minority interests	*17*	19,951	18,246	17,062
Equity		**32,733**	**30,084**	**28,129**
Long-term borrowings	*18*	7,893	5,241	5,453
Non-current provisions	*19*	2,578	2,386	2,037
Deferred tax	*27*	4,583	4,894	5,584
Other non-current liabilities	*20*	9,857	8,509	8,475
Non-current liabilities		**24,911**	**21,030**	**21,549**
Short-term borrowings	*18*	4,553	3,854	4,918
Trade accounts payable	*21.1*	4,540	4,384	3,835
Income taxes		853	456	425
Current provisions	*19*	404	354	355
Other current liabilities	*21.2*	4,768	4,622	3,693
Current liabilities		**15,118**	**13,670**	**13,226**
TOTAL LIABILITIES AND EQUITY		**72,762**	**64,784**	**62,904**

4. Consolidated statement of changes in equity

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves: Available for sale financial assets	Revaluation reserves: Hedges of future foreign currency cash flows	Revaluation reserves: Vineyard land	Revaluation reserves: Employee benefit commit-ments	Net profit and other reserves	Total equity: Group share	Total equity: Minority interests	Total equity: Total
Notes		*15.1*		*15.2*	*15.4*							*17*	
As of June 30, 2015	**180,507,516**	**361**	**194**	**(116)**	**554**	**66**	**5**	**386**	**(45)**	**8,868**	**10,273**	**16,047**	**26,320**
Gains and losses recognized in equity					(112)	(61)	(1)	14	(12)	-	(172)	(208)	(380)
Net profit										1,569	1,569	2,595	4,164
Comprehensive income					**(112)**	**(61)**	**(1)**	**14**	**(12)**	**1,569**	**1,397**	**2,387**	**3,784**
Stock option plan and similar expenses										25	25	24	49
(Acquisition)/disposal of treasury shares				7						(3)	4	-	4
Capital increase in subsidiaries										-	-	92	92
Interim and final dividends paid										(591)	(591)	(1,307)	(1,898)
Changes in control of consolidated entities										1	1	27	28
Acquisition and disposal of minority interests' shares					(1)			(1)		(10)	(12)	21	9
Purchase commitments for minority interests' shares										(30)	(30)	(229)	(259)
As of June 30, 2016	**180,507,516**	**361**	**194**	**(109)**	**441**	**5**	**4**	**399**	**(57)**	**9,829**	**11,067**	**17,062**	**28,129**
Gains and losses recognized in equity					78	47	(2)	47	(2)	-	168	301	469
Net profit										1,058	1,058	1,666	2,724
Comprehensive income					**78**	**47**	**(2)**	**47**	**(2)**	**1,058**	**1,226**	**1,967**	**3,193**
Stock option plan and similar expenses										12	12	13	25
(Acquisition)/disposal of treasury shares				5						(9)	(4)	-	(4)
Capital increase in subsidiaries										-	-	35	35
Interim and final dividends paid										(395)	(395)	(471)	(866)
Changes in control of consolidated entities										(6)	(6)	(7)	(13)
Acquisition and disposal of minority interests' shares					1			1		(112)	(110)	(255)	(365)
Purchase commitments for minority interests' shares										48	48	(98)	(50)
As of Dec. 31, 2016	**180,507,516**	**361**	**194**	**(104)**	**520**	**52**	**2**	**447**	**(59)**	**10,425**	**11,838**	**18,246**	**30,084**
Gains and losses recognized in equity					(365)	76	72	15	16	-	(186)	(369)	(555)
Net profit										2,240	2,240	3,513	5,753
Comprehensive income					**(365)**	**76**	**72**	**15**	**16**	**2,240**	**2,054**	**3,144**	**5,198**
Stock option plan and similar expenses										34	34	39	73
(Acquisition)/disposal of treasury shares				32						(13)	19	-	19
Capital increase in subsidiaries										-	-	44	44
Interim and final dividends paid										(539)	(539)	(1,504)	(2,043)
Changes in control of consolidated entities										(2)	(2)	102	100
Acquisition and disposal of minority interests' shares [a]					(1)			(1)		(567)	(569)	247	(322)
Purchase commitments for minority interests' shares										(53)	(53)	(367)	(420)
AS OF DEC. 31 2017	**180,507,516**	**361**	**194**	**(72)**	**154**	**128**	**74**	**461**	**(43)**	**11,525**	**12,782**	**19,951**	**32,733**

(a) The transactions to simplify the structures of the Christian Dior – LVMH group have led to the reduction in the Group's ownership interests in Christian Dior Couture from 100% to 41%. See Note 2.

5. Consolidated cash flow statement

(EUR millions)	Notes	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
I – OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		8,199	4,145	6,596
Income/(loss) and dividends from joint ventures and associates	7	22	9	21
Net increase in depreciation, amortization and provisions		2,467	1,396	2,225
Other computed expenses		(23)	(90)	(177)
Other adjustments		(83)	(117)	(99)
Cash from operations before changes in working capital		**10,582**	**5,343**	**8,566**
Cost of net financial debt: interest paid		(88)	(44)	(88)
Tax paid on operating activities		(2,872)	(1,082)	(1,998)
Net cash from operating activities before changes in working capital		**7,622**	**4,217**	**6,480**
Change in working capital	*14.3*	(516)	555	(579)
Net cash from operating activities		**7,106**	**4,772**	**5,901**
Operating investments	*14.4*	(2,517)	(1,467)	(2,242)
Net cash from operating activities and operating investments (free cash flow)		**4,589**	**3,305**	**3,659**
II – FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets [(a)]	*8, 13*	(125)	(21)	(66)
Proceeds from sale of non-current available for sale financial assets	*8*	93	30	93
Dividends received	*8*	13	4	3
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(202)	(510)
Impact of purchase and sale of consolidated investments	*2.4*	(524)	420	(359)
Net cash from (used in) financial investments		**(543)**	**231**	**(839)**
III – TRANSACTIONS RELATING TO EQUITY				
Capital increases of subsidiaries subscribed by minority interests	*17*	44	36	84
Acquisition and disposal of treasury shares	*15.2*	20	(5)	5
Interim and final dividends paid by Christian Dior SE	*15.3*	(539)	(395)	(591)
Interim and final dividends paid to minority interests in consolidated subsidiaries	*17*	(1,505)	(465)	(1,310)
Income tax paid related to interim and final dividends paid		488	(59)	(168)
Purchase and proceeds from sale of minority interests	*2.4*	(171)	(370)	(6)
Net cash from (used in) transactions relating to equity		**(1,663)**	**(1,258)**	**(1,986)**
Change in cash before financing activities		**2,383**	**2,278**	**834**
IV – FINANCING ACTIVITIES				
Proceeds from borrowings	*14.2*	6,014	528	1,664
Repayment of borrowings	*14.2*	(2,243)	(2,082)	(1,933)
Purchase and proceeds from sale of current available for sale financial assets	*8, 13*	(2,111)	2	123 [(a)]
Net cash from (used in) financing activities	*14.2*	**1,660**	**(1,552)**	**(146)**
V – EFFECT OF EXCHANGE RATE CHANGES		**(132)**	**13**	**(191)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**3,911**	**739**	**497**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*14.1*	**3,555**	**2,816**	**2,319**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*14.1*	**7,466**	**3,555**	**2,816**
TOTAL TAX PAID		**(2,384)**	**(1,343)**	**(2,676)**

(a) The cash impact of non-current available for sale financial assets used to hedge net financial debt (see Note 18) is presented under "IV. Financing activities" as "Purchase and proceeds from sale of current available for sale financial assets".

Notes to the consolidated financial statements

6. Notes to the consolidated financial statements

NOTE 1 – ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the fiscal year ended December 31, 2017 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2017.

These standards and interpretations have been applied consistently to the fiscal years presented. The 2017 consolidated financial statements were approved for publication by the Board of Directors on February 2, 2018.

1.2. Changes in the accounting framework applicable to the Group

Standards, amendments and interpretations for which application became mandatory in 2017

Only the amendment to IAS 7 requiring a separate presentation of changes in financial debt applies to the Group for accounting periods beginning on or after January 1, 2017. This presentation is provided in Note 18.1, and the reconciliation between cash flows related to changes in net financial debt and net cash from/(used in) financing activities is presented in Note 14.2.

Other changes in the accounting framework and standards for which application will become mandatory later than January 1, 2018

The impact of IFRS 15 on revenue recognition, which enters into effect for accounting periods beginning on or after January 1, 2018, will be marginal for LVMH, given the nature of the Group's business activities.

The impact of the new standard on financial instruments (IFRS 9), which also enters into effect for accounting periods beginning on or after January 1, 2018, will mainly involve the change in the recognition method for the ineffective portion of derivatives designated as hedging instruments, which will be recognized as follows:

- for hedges that are commercial in nature, the changes in the value of forward points associated with forward contracts and in the time value component of options will be included in gains and losses recognized directly in equity until the hedged item is recognized in the balance sheet, on which date the cost of the forward contracts (forward points) and of the options (premiums) will be transferred to net financial income/(expense);
- for hedges that are financial in nature or tied to the Group's investment portfolio, expenses and income arising from discounts or premiums will be recognized in net financial income/(expense) on a pro rata basis over the term of the hedging instruments. The difference between the amounts recognized in net financial income/(expense) and the change in the value of forward points will be included in gains and losses recognized directly in equity.

At the end of 2016, the Group launched its project for the implementation of IFRS 16 relating to leases, which applies to accounting periods beginning on or after January 1, 2019. When entering into a lease involving fixed payments, this standard requires that a liability be recognized in the balance sheet, offset against a right-of-use asset and measured at the discounted present value of future lease payments. The liability amount recognized therefore depends quite heavily on the assumptions used for the discount rate and lease term; extension and early termination options offered by lease agreements will also need to be included in the calculation of the liability if their exercise is considered reasonably certain when entering into the lease.

The inventory of the leases and the gathering of the information required to precisely estimate the balance sheet impact of the initial application of IFRS 16 are underway. The approximate impact on the balance sheet of the first-time adoption of IFRS 16 may be assessed based on the amount of lease commitments as of December 31, 2017, i.e. 11 billion euros (see Note 30). Depending on the assumptions used for the discount rates and lease terms, the definitive amount might range from 13 to 16 billion euros.

The impact of applying IFRS 16 on profit from recurring operations and net profit will not be significant.

The Group is following the ongoing discussions held at IFRIC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount. See Note 1.12 for a description of the recognition method applied by LVMH to these commitments.

1.3. First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions are as follows:

- business combinations: the exemption from retrospective application was not applied. The Christian Dior group has retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH, and all subsequent acquisitions have been restated in accordance with IFRS 3. IAS 36 Impairment of Assets and IAS 38 Intangible Assets have been applied retrospectively since that date;
- foreign currency translation of the financial statements of subsidiaries outside the eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4. Presentation of the financial statements

Definitions of Profit from recurring operations and Other operating income and expenses

The Group's main business is the management and development of its brands and trade names. Profit from recurring operations is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

"Other operating income and expenses" comprises income statement items, which – due to their nature, amount or frequency – may not be considered inherent to the Group's recurring operations or its profit from recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation, the impairment of goodwill and the impairment and amortization of brands and trade names, as well as any significant amount of gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

Cash flow statement

Net cash from operating activities is determined on the basis of operating profit, adjusted for non-cash transactions. In addition:

- dividends received are presented according to the nature of the underlying investments; thus, dividends from joint ventures and associates are presented in Net cash from operating activities, while dividends from other unconsolidated entities are presented in Net cash from financial investments;
- tax paid is presented according to the nature of the transaction from which it arises: in Net cash from operating activities for the portion attributable to operating transactions; in Net cash from financial investments for the portion attributable to transactions in available for sale financial assets, notably tax paid on gains from their sale; in Net cash from transactions relating to equity for the portion attributable to transactions in equity, notably distribution taxes arising on the payment of dividends.

1.5. Use of estimates

For the purpose of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 5), the measurement of purchase commitments for minority interests' shares (see Note 20), and the determination of the amount of provisions for contingencies and losses (see Note 19) or for impairment of inventories (see Note 10) and, if applicable, deferred tax assets (see Note 27). Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent as of the date of preparation of the financial statements, may prove different from the subsequent actual events.

1.6. Methods of consolidation

The subsidiaries in which the Group holds a direct or indirect de facto or de jure controlling interest are fully consolidated.

Jointly controlled companies and companies where the Group has significant influence but no controlling interest are accounted for using the equity method. Although jointly controlled, those entities are fully integrated within the Group's operating activities. The Group discloses their net profit, as well as that of entities for which the equity method is used (see Note 7), on a separate line, which forms part of profit from recurring operations.

The assets, liabilities, income, and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the Group's share of operations (see Note 1.25).

The consolidation on an individual or collective basis of companies that are not consolidated (see "Companies not included in the scope of consolidation") would not have a significant impact on the Group's main aggregates.

1.7. Foreign currency translation of the financial statements of subsidiaries outside the eurozone

The consolidated financial statements are presented in euros; the financial statements of entities presented in a different functional currency are translated into euros:

- at the period-end exchange rates for balance sheet items;
- at the average rates for the period for income statement items.

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

1.8. Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing on the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the balance sheet date. Unrealized gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial income/(expense) in the case of financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of intercompany transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term intercompany financing transactions, which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives that are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value (see Note 1.9) at the balance sheet date, and any change in the market value of such derivatives is recognized:

- within cost of sales for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as "Revaluation reserves") for the effective portion of hedges of future cash flows (this part is transferred to cost of sales at the time of recognition of the hedged assets and liabilities);
- within net financial income/(expense) for the ineffective portion of hedges; changes in the value of discount and premium associated with forward contracts, as well as in the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of the net worth of subsidiaries whose functional currency is not the euro (net investment hedge), any change in fair value of the derivatives is recognized within equity under "Cumulative translation adjustment" for the effective portion and within net financial income/(expense) for the ineffective portion.

Market value changes of derivatives not designated as hedges are recorded within net financial income/(expense).

See also Note 1.21 regarding the definition of the concepts of effective and ineffective portions.

1.9. Fair value measurement

Fair value (or market value) is the price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

The assets and liabilities measured at fair value in the balance sheet are as follows:

	Approaches to determining fair value	**Amounts recorded at balance sheet date**
Vineyard land	Based on recent transactions in similar assets. See Note 1.13.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.16.	Note 10
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 22
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.20.	Note 18
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally based on the market multiples of comparable companies. See Note 1.12.	Note 20
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.15.	Note 8, Note 13
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.18.	Note 14

No other asset or liability has been remeasured at market value at the balance sheet date.

1.10. Brands and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets based on their market values at their dates of acquisition.

Brands and trade names are chiefly valued using the forecast discounted cash flow method, or based on comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands) or stock market multiples observed for related businesses. Other complementary methods may also be employed: the relief from royalty method, involving equating a brand's value with the present value of the royalties required to be paid for its use; the margin differential method, applicable when a measurable difference can be identified in the amount of revenue generated by a branded product in comparison with a similar unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising and promotion expenses required to generate a similar brand.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence and reputation;
- its expected long-term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names with definite useful lives range from 8 to 20 years, depending on their estimated period of utilization.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.14.

Research expenditure is not capitalized. New product development expenditure is not capitalized unless the final decision has been made to launch the product.

Intangible assets other than brands and trade names are amortized over the following periods:

- leasehold rights, key money: based on market conditions, generally over the lease period;
- rights attached to sponsorship agreements and media partnerships: over the life of the agreements, depending on how the rights are used;
- development expenditure: three years at most;
- software, websites: one to five years.

1.11. Changes in ownership interests in consolidated entities

When the Group takes de jure or de facto control of a business, its assets, liabilities and contingent liabilities are estimated at their market value as of the date when control is obtained and the difference between the cost of taking control and the Group's share of the market value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash, excluding acquisition costs, which are disclosed under "Other operating income and expenses".

The difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

Goodwill is accounted for in the functional currency of the acquired entity.

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.14. Any impairment expense recognized is included within "Other operating income and expenses".

1.12. Purchase commitments for minority interests' shares

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- the value of the commitment at the balance sheet date appears in "Other non-current liabilities", or in "Other current liabilities" if the minority shareholder has provided notice of exercising its put option before the balance sheet date;
- the corresponding minority interests are cancelled;
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and cancelled minority interests is maintained as an asset on the balance sheet under goodwill, which also reflects subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

This recognition method has no effect on the presentation of minority interests within the income statement.

1.13. Property, plant and equipment

With the exception of vineyard land and Christian Dior Couture's real estate holdings, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If the market value falls below the acquisition cost, the resulting impairment is charged to the income statement.

Buildings mostly occupied by third parties are reported as investment property, at their acquisition cost. Investment property is thus not remeasured to market value.

Assets acquired under finance leases are capitalized on the basis of the lower of their market value and the present value of future lease payments.

The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life.

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life; the estimated useful lives are as follows:

- buildings including investment property 20 to 50 years;
- machinery and equipment 3 to 25 years;
- leasehold improvements 3 to 10 years;
- producing vineyards 18 to 25 years.

Expenses for maintenance and repairs are charged to the income statement as incurred.

1.14. Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired (particularly following major changes in the asset's operating conditions), and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite useful lives is greater than the higher of their value in use or market value, the resulting impairment loss is recognized within "Other operating income and expenses", allocated on a priority basis to any existing goodwill.

For the fiscal years presented in this report, December 31 was retained as the impairment testing date in all cases.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Market value is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts for the purposes of a disposal transaction.

Cash flows are forecast for each business segment, defined as one or several brands or trade names under the responsibility of a dedicated management team. Smaller-scale cash-generating units, such as a group of stores, may be distinguished within a particular business segment.

The forecast data required for the cash flow method is based on annual budgets and multi-year business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period, which may be extended in the case of certain brands undergoing strategic repositioning, or which have a production cycle exceeding five years. An estimated terminal value is added to the value resulting from discounted forecast cash flows, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. Discount rates are set for each business group with reference to companies engaged in comparable businesses. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and an assessment of the risk premium associated with that business. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed.

1.15. Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their nature.

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets (presented in "Other current assets"; see Note 12) include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.18).

Available for sale financial assets are measured at their listed value at the balance sheet date in the case of quoted investments, and in the case of unquoted investments at their estimated net realizable value, assessed either according to formulas based on market data or based on private quotations at the balance sheet date.

Positive or negative changes in value are taken to equity within "Revaluation reserves". If an impairment loss is judged to be definitive, an impairment is recognized and charged to net financial income/(expense); the impairment is only reversed through the income statement at the time of sale of the underlying available for sale financial assets.

1.16. Inventories and work in progress

Inventories other than wine produced by the Group are recorded at the lower of cost (excluding interest expense) and net realizable value; cost comprises manufacturing cost (finished goods) or purchase price, plus incidental costs (raw materials, merchandise).

Wine produced by the Group, including champagne, is measured on the basis of the applicable harvest market value, which is determined by reference to the average purchase price of equivalent grapes, as if the grapes harvested had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated on a pro rata basis, in line with the estimated yield and market value.

Inventories are valued using the weighted average cost or FIFO method, depending on the type of business.

Due to the length of the aging process required for champagne and spirits (cognac, whisky), the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are classified as current assets.

Provisions for impairment of inventories are chiefly recognized for businesses other than Wines and Spirits. They are generally required because of product obsolescence (end of season or collection, expiration date approaching, etc.) or lack of sales prospects.

1.17. Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at their face value. A provision for impairment is recorded if their net realizable value, based on the probability of their collection, is less than their carrying amount.

The amount of long-term loans and receivables (i.e. those falling due in more than one year) is subject to discounting, the effects of which are recognized under net financial income/(expense), using the effective interest rate method.

1.18. Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid money-market investments subject to an insignificant risk of changes in value over time.

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing on the balance sheet date, with any changes in value recognized as part of net financial income/(expense).

1.19. Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated. See also Notes 1.23 and 19.

When execution of its obligation is expected to occur in more than one year, the provision amount is discounted, the effects of which are recognized in net financial income/(expense) using the effective interest rate method.

1.20. Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of premium and issue expenses, which are charged progressively to net financial income/(expense) using the effective interest method.

In the case of hedging against fluctuations in the value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/(expense). Market value of hedged borrowings is determined using similar methods to those described in Note 1.21 below.

In the case of hedging against fluctuations in future interest payments, the related borrowings remain measured at their amortized cost while any changes in value of the effective hedge portions are taken to equity as part of "Revaluation reserves".

Changes in value of non-hedging derivatives, and of the ineffective portions of hedges, are recognized within net financial income/(expense).

Net financial debt comprises short- and long-term borrowings, the market value at the balance sheet date of interest rate derivatives, less the amount at the balance sheet date of current available for sale financial assets, non-current available for sale financial assets used to hedge financial debt, cash and cash equivalents, in addition to the market value at that date of foreign exchange derivatives related to any of the aforementioned items.

See also Note 1.21 regarding the definition of the concepts of effective and ineffective portions.

1.21. Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange, interest rate and gold price risks.

IAS 39 subordinates the use of hedge accounting to demonstration and documentation of the effectiveness of hedging relationships when hedges are implemented and subsequently throughout their existence. A hedge is considered effective if the ratio of changes in the value of the derivative to changes in the value of the hedged underlying remains within a range of 80% to 125%.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.8 in the case of foreign exchange hedges, and as described in Note 1.20 in the case of interest rate hedges.

Market value is based on market data and commonly used valuation models.

Derivatives with maturities in excess of twelve months are disclosed as non-current assets and liabilities.

1.22. Christian Dior and LVMH treasury shares

Christian Dior treasury shares

Christian Dior shares held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

In the event of disposal, the cost of the shares disposed of is determined by allocation category (see Note 15.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal are taken directly to equity.

LVMH treasury shares

Purchases and sales by LVMH of its own shares, as well as LVMH SE capital increases reserved for recipients of share subscription options, resulting in changes in the percentage held by the Christian Dior group in LVMH, are accounted for in the consolidated financial statements of the Christian Dior group as changes in ownership interests in consolidated entities.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the Christian Dior group's ownership interest in LVMH have been taken to equity.

As this standard is applied prospectively, goodwill recognized as of December 31, 2009 has been maintained as an asset on the balance sheet.

1.23. Pensions, contribution to medical costs, and other employee benefit commitments

When retirement benefit plans, pension plans, contribution to medical costs and other commitments entail the payment by the Group of contributions to third-party organizations that assume sole responsibility for subsequently paying the retirement benefits, pensions or contribution to medical costs, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement indemnity plans, pension plans, contribution to medical costs and other commitments are to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment for the Group. Changes in this provision are recognized as follows:

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity.

If this commitment is partially or wholly funded by payments made by the Group to external financial organizations, these dedicated funds are deducted from the actuarial commitment recorded in the balance sheet.

The actuarial commitment is calculated based on assessments that are specifically designed for the country and the Group company concerned. In particular, these assessments include assumptions regarding discount rates, salary increases, inflation, life expectancy and staff turnover.

1.24. Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences.

Deferred tax is recognized in respect of temporary differences arising between the value of assets and liabilities for purposes of consolidation and the value resulting from the application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the balance sheet date; the effect of changes in rates is recognized during the periods in which changes are enacted.

Future tax savings from tax losses carried forward are recorded as deferred tax assets on the balance sheet and impaired if they are deemed not recoverable; only amounts for which future use is deemed probable are recognized.

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries give rise to provisions if distribution is deemed probable.

1.25. Revenue recognition

Definition of revenue

Revenue mainly comprises retail sales within the Group's store network (including e-commerce websites) and sales through agents and distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are made through retail stores in Fashion and Leather Goods, Selective Retailing and certain Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

Wholesale sales concern Wines and Spirits, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third-party customers.

Revenue includes shipment and transportation costs re-billed to customers only when these costs are included in products' selling prices as a lump sum.

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from related revenue.

Provisions for product returns

Perfumes and Cosmetics and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns, and a corresponding entry is made to inventories. The estimated rate of returns is based on statistics of historical returns.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo generally taking the form of shared entities that sell and deliver both groups' products to customers. The income statement and balance sheet of these entities is apportioned between the Group and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income, and expenses of such entities are consolidated only in proportion to the Group's share of operations.

1.26. Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples and publishing catalogs, and in general, the cost of all activities designed to promote the Group's brands and products.

Advertising and promotion expenses are recorded in marketing and selling expenses upon receipt or production of goods or upon completion of services rendered.

1.27. Stock option and similar plans

For bonus share plans, the expected gain is calculated on the basis of the closing share price on the day before the Board meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period. A discount may be applied to the value of the bonus shares thus calculated to account for a period of non-transferability, where applicable.

For all plans, the amortization expense is apportioned on a straight-line basis in the income statement over the vesting period, with a corresponding impact on reserves in the balance sheet.

In the event of cash-settled compensation plans index-linked to the change in LVMH share price, the gain over the vesting period is estimated at each balance sheet date based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Between that date and the settlement date, the change in the expected gain resulting from the change in the LVMH share price is recorded in the income statement.

1.28. Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing purchase options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, plus the amount not yet expensed for stock option and similar plans (see Note 1.27), would be employed to repurchase Christian Dior shares at a price corresponding to their average trading price over the fiscal year. Dilutive instruments issued by subsidiaries are also taken into consideration for the purposes of determining the Group's share of net profit after dilution.

NOTE 2 – CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

2.1. Fiscal year 2017

2.1.1. Fashion and Leather Goods

Rimowa

On January 23, 2017, pursuant to the transaction agreement announced on October 4, 2016, LVMH acquired an 80% stake in Rimowa, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage, with effect from January 2, 2017 and for consideration of 640 million euros. The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020. The difference in value of 71 million euros between the purchase commitment (recorded in "Other non-current liabilities"; see Note 20) and the minority interests was deducted from consolidated reserves. Rimowa has been fully consolidated by LVMH within the Fashion and Leather Goods business group since January 2017.

The following table lays out the definitive allocation of the price paid by LVMH:

(EUR millions)	**Definitive purchase price allocation**
Brand	475
Intangible and tangible fixed assets	145
Other non-current assets	5
Non-current provisions	(31)
Current assets	119
Current liabilities	(62)
Net financial debt	(57)
Deferred tax	(150)
Net assets acquired	**444**
Minority interests (20%)	(89)
Net assets, Group share at LVMH (80%)	**355**
Goodwill	285
Carrying amount of shares held as of January 2, 2017	**640**

In 2017, Rimowa had consolidated revenue of 417 million euros and its profit from recurring operations totaled 9 million euros.

The Rimowa brand, amounting to 475 million euros, was valued using the relief from royalty method. Goodwill, recognized in the amount of 285 million euros, is representative of Rimowa's expertise and capacity to innovate, for which it is internationally renowned in the sector of high-quality luggage.

The acquisition costs for Rimowa were recognized in "Other operating income and expenses"; these totaled 1 million euros in 2017, in addition to acquisition costs totaling 3 million euros recognized in 2016 (see Note 25).

In 2017, the Rimowa acquisition generated an outflow of 615 million euros, net of cash acquired in the amount of 25 million euros.

Loro Piana

In February 2017, following the partial exercise of the put option held by the Loro Piana family for Loro Piana shares, LVMH acquired an additional 5% stake in the company, bringing its ownership interest to 85%. The difference between the acquisition price and minority interests was deducted from equity.

Christian Dior Couture

On July 3, 2017, as part of the project aimed at simplifying the structures of the Christian Dior – LVMH group and in accordance with the terms of the memorandum of understanding concluded with LVMH on April 24, 2017, Christian Dior SE sold 100% of the Christian Dior Couture segment to LVMH for 6 billion euros. Christian Dior directly and indirectly holds 41% of the share capital and 57% of the voting rights of LVMH.

The scope of the sale includes Grandville (100%-owned by Christian Dior) and its subsidiary, Christian Dior Couture.

Consequently, the Christian Dior group's ownership interest in Christian Dior Couture fell from 100% in the first half of 2017 to 41% in the second half of 2017.

Since LVMH is fully consolidated within Christian Dior's consolidated financial statements, this change has no impact on net profit. The Group share of consolidated reserves was reduced by 498 million euros, corresponding to the portion of net assets transferred to minority interests (351 million euros), costs (5 million euros), and tax on the capital gain (143 million euros after taking into account tax loss carryforwards).

Following the sale within the consolidated group of the Christian Dior Couture segment by Christian Dior to LVMH on July 3, 2017, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group (see Note 23) for fiscal year 2017 as well as prior periods.

2.1.2. *Other activities*

See Note 32.1.

2.2. Fiscal year 2016 (July 1 – December 31, 2016)

2.2.1. *Fashion and Leather Goods*

Donna Karan

On December 1, 2016, pursuant to the agreement signed on July 22, 2016, LVMH sold Donna Karan International to G-III Apparel Group. The sale was made based on an enterprise value of 650 million US dollars, translating to a provisional sale price of 542 million US dollars after adjustments and deducting Donna Karan's borrowings with LVMH. LVMH granted G-III Apparel Group a vendor loan for 125 million US dollars (recorded under "Other non-current assets"; see Note 9) and received the equivalent of 75 million US dollars in G-III shares (recorded under "Non-current available for sale financial assets"; see Note 8). In addition, the 129 million US dollars in financing granted to Donna Karan by LVMH was repaid by G-III Apparel Group. In 2016, the impact of the sale of Donna Karan International on the Group's net profit was a gain of 44 million euros.

LVMH Métiers d'Arts

In December 2016, following the exercise of the put option held by its partner, LVMH Métiers d'Arts acquired an additional 35% stake in the Heng Long tannery (Singapore), bringing its ownership interest to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.2.2. *Selective Retailing*

In November 2016, following the exercise of the put option held by its partner, Sephora acquired an additional 35% stake in Ile de Beauté (Russia), bringing its ownership interest to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.3. Fiscal year 2015/2016 (July 1, 2015 – June 30, 2016)

2.3.1. *Selective Retailing*

In July 2015, Sephora acquired a 95% equity interest in the e-commerce site Luxola, which is present in nine countries of South-East Asia.

2.3.2. *Other activities*

In October 2015, LVMH acquired a 100% equity interest in the daily newspaper Le Parisien-Aujourd'hui en France. The acquisition comprises the publishing, printing and sales activities of this daily newspaper and the weekly Le Parisien Magazine.

See also Note 7 regarding the ownership interests in joint ventures and associates.

2.4. Impact on cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Purchase price of consolidated investments and of minority interests' shares	(1,177)	(401)	(442)
Positive cash balance/(net overdraft) of companies acquired	85	-	41
Proceeds from sale of consolidated investments	216	333	44
(Positive cash balance)/net overdraft of companies sold	181	118	(8)
IMPACT ON NET CASH AND CASH EQUIVALENTS OF CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES	**(695)**	**50**	**(365)**
Of which: *Purchase and proceeds from sale of consolidated investments*	*(524)*	*420*	*(359)*
Purchase and proceeds from sale of minority interests	*(171)*	*(370)*	*(6)*

- In 2017, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of Rimowa for 615 million euros. It also included LVMH SE's capital increases reserved for recipients of share subscription options and the impact of the LVMH liquidity contract.
- As of December 31, 2016, the impact on cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the sale of Donna Karan International for 435 million euros, and from the share repurchase program for shares pending retirement totaling 300 million euros set up by LVMH in the fourth quarter of 2016.
- As of June 30, 2016, the impact on cash and cash equivalents of changes in ownership interests in consolidated entities mainly included the acquisition of the daily newspaper Le Parisien-Aujourd'hui en France, the 95% stake acquired by Sephora in the e-commerce site Luxola, and the investments in Repossi and L Catterton, as well as various payments in respect of performance clauses provided for during past acquisitions. See also Note 7. It also included LVMH SE's capital increases reserved for recipients of share subscription options.

NOTE 3 – BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

	December 31, 2017			Dec. 31, 2016	June 30, 2016
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Brands	13,325	(670)	12,655	12,418	12,813
Trade names	3,692	(1,516)	2,176	2,440	2,330
License rights	24	(24)	-	-	-
Leasehold rights	856	(464)	392	416	405
Software, websites	1,661	(1,202)	459	375	322
Other	898	(502)	396	420	399
TOTAL	**20,456**	**(4,378)**	**16,078**	**16,069**	**16,269**
Of which: *Assets held under finance leases*	*14*	*(14)*	-	-	-

3.1. Movements in the fiscal year

Movements during the fiscal year ended December 31, 2017 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2016	**13,029**	**4,157**	**1,467**	**839**	**924**	**20,416**
Acquisitions	-	-	180	31	248	459
Disposals and retirements	-	-	(37)	(10)	(112)	(159)
Changes in the scope of consolidation	481	-	4	8	5	498
Translation adjustment	(185)	(465)	(60)	(14)	(40)	(764)
Reclassifications	-	-	107	2	(103)	6
As of December 31, 2017	**13,325**	**3,692**	**1,661**	**856**	**922**	**20,456**

Amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2016	**(611)**	**(1,717)**	**(1,092)**	**(423)**	**(504)**	**(4,347)**
Amortization expense	(26)	(1)	(179)	(51)	(150)	(407)
Impairment expense	(55)	-	(2)	-	(1)	(58)
Disposals and retirements	-	-	36	7	112	155
Changes in the scope of consolidation	-	-	(3)	(3)	(4)	(10)
Translation adjustment	22	202	37	6	22	289
Reclassifications	-	-	1	-	(1)	-
As of December 31, 2017	**(670)**	**(1,516)**	**(1,202)**	**(464)**	**(526)**	**(4,378)**
Carrying amount as of December 31, 2017	**12,655**	**2,176**	**459**	**392**	**396**	**16,078**

Changes in the scope of consolidation were mainly attributable to the acquisition of Rimowa (see Note 2).

Translation adjustments arose mainly on intangible assets recognized in US dollars, and to a lesser extent on brands recognized in Swiss francs, due to fluctuations of these currencies against the euro between the beginning and end of the fiscal year.

3.2. Movements in prior fiscal years

Carrying amount *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of June 30, 2015	**12,892**	**2,315**	**289**	**428**	**318**	**16,242**
Acquisitions	-	-	124	22	267	413
Disposals and retirements	-	-	-	(1)	(1)	(2)
Changes in the scope of consolidation	45	-	3	4	7	59
Amortization expense	(20)	(1)	(142)	(49)	(126)	(338)
Impairment expense	-	-	(1)	(3)	-	(4)
Translation adjustment	(104)	16	(1)	(8)	(5)	(102)
Reclassifications	-	-	50	12	(61)	1
As of June 30, 2016	**12,813**	**2,330**	**322**	**405**	**399**	**16,269**
Acquisitions	-	-	99	44	115	258
Disposals and retirements	-	-	-	-	-	-
Changes in the scope of consolidation	(382)	-	(2)	(5)	14	(375)
Amortization expense	(12)	-	(88)	(25)	(75)	(200)
Impairment expense	(42)	-	-	(2)	-	(44)
Translation adjustment	41	110	8	2	2	163
Reclassifications	-	-	36	(3)	(35)	(2)
As of December 31, 2016	**12,418**	**2,440**	**375**	**416**	**420**	**16,069**

3.3. Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)	December 31, 2017 Gross	December 31, 2017 Amortization and impairment	December 31, 2017 Net	Dec. 31, 2016 Net	June 30, 2016 Net
Wines and Spirits	2,810	(136)	2,674	2,711	2,720
Fashion and Leather Goods [(a)]	5,316	(364)	4,952	4,487	4,914
Perfumes and Cosmetics	1,344	(34)	1,310	1,324	1,321
Watches and Jewelry	3,578	(71)	3,507	3,682	3,683
Selective Retailing	3,645	(1,469)	2,176	2,440	2,330
Other activities	324	(112)	212	214	175
BRANDS AND TRADE NAMES	**17,017**	**(2,186)**	**14,831**	**14,858**	**15,143**

(a) Following the sale within the consolidated group of the Christian Dior Couture segment by Christian Dior SE to LVMH SE on July 3, 2017, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2017, the principal acquired brands and trade names were:

- Wines and Spirits: Hennessy, Moët & Chandon, Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti, Pucci and Loro Piana;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up For Ever, Benefit Cosmetics, Fresh, Acqua di Parma, KVD Beauty, Fenty and Ole Henriksen;
- Watches and Jewelry: Bvlgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché and Ile de Beauté;
- Other activities: the publications of the media group Les Échos-Investir, the daily newspaper Le Parisien-Aujourd'hui en France, the Royal Van Lent-Feadship brand, La Samaritaine, and the Cova pastry shop brand.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use or their market value as of the closing date for the Group's consolidated financial statements. This is notably the case for the brands Louis Vuitton, Christian Dior Couture, Veuve Clicquot and Parfums Christian Dior, and for the trade name Sephora, with the understanding that this list must not be considered exhaustive.

At the initial consolidation of LVMH in 1988, all brands then owned by LVMH were revalued in the consolidated financial statements of the Christian Dior group.

In the Christian Dior consolidated financial statements, LVMH's accounts are restated to account for valuation differences in brands recorded prior to 1988 in the consolidated accounts of each of these companies. See Note 1.3.

Please refer also to Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

NOTE 4 – GOODWILL

(EUR millions)	December 31, 2017 Gross	December 31, 2017 Impairment	December 31, 2017 Net	Dec. 31, 2016 Net	June 30, 2016 Net
Goodwill arising on consolidated investments	8,623	(1,621)	7,002	6,759	6,914
Goodwill arising on purchase commitments for minority interests' shares	5,299	-	5,299	4,286	4,342
TOTAL	**13,922**	**(1,621)**	**12,301**	**11,045**	**11,256**

Changes in net goodwill during the fiscal years presented break down as follows:

(EUR millions)	December 31, 2017 (12 months) Gross	Impairment	Net	Dec. 31, 2016 (6 months) Net	June 30, 2016 (12 months) Net
At beginning of period	**12,739**	**(1,694)**	**11,045**	**11,256**	**10,365**
Changes in the scope of consolidation	419	7	426	(110)	180
Changes in purchase commitments for minority interests' shares	1,008	-	1,008	(68)	790
Changes in impairment	-	(51)	(51)	(89)	(88)
Translation adjustment	(245)	117	(128)	58	9
Reclassifications	1	-	1	(2)	-
AT END OF PERIOD	**13,922**	**(1,621)**	**12,301**	**11,045**	**11,256**

Changes in the scope of consolidation for the fiscal year ended December 31, 2017 were mainly attributable to the acquisition of Rimowa.

Changes in the scope of consolidation during the fiscal year ended December 31, 2016 mainly arose from the sale of Donna Karan International.

Changes in the scope of consolidation during the fiscal year ended June 30, 2016 mainly related to the acquisition of the daily newspaper Le Parisien-Aujourd'hui en France and the 95% stake in Luxola.

See Note 2 for further details on changes in the scope of consolidation.

Please refer also to Note 20 for goodwill arising on purchase commitments for minority interests' shares.

NOTE 5 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition are tested for impairment at least once a year. No significant impairment expense was recognized in respect of these items during the course of fiscal year 2017. As described in Note 1.14, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up each year.

As of June 30, 2016, due to the fact that the valuations of intangible assets on the basis of the year's strategic plans were not available at the balance sheet date, the assumptions applied for the December 31, 2015 valuations had been identified as still pertinent and were maintained. As a result, no impairment losses were recognized for intangible assets.

The main assumptions used to determine these forecast cash flows are as follows:

Business group *(as %)*	December 31, 2017 Post-tax discount rate	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	December 31, 2016 Post-tax discount rate	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	December 31, 2015 Post-tax discount rate	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan
Wines and Spirits	6.5 to 11.0	5.9	2.0	6.5 to 11.0	6.0	2.0	6.2 to 9.9	6.3	2.0
Fashion and Leather Goods [(a)]	8.0 to 10.5	6.6	2.0	9.3 to 10.5	6.8	2.0	8.0 to 12.0	8.9	2.0
Perfumes and Cosmetics	7.4 to 10.1	9.3	2.0	7.4 to 10.1	9.6	2.0	7.4	8.9	2.0
Watches and Jewelry	9.0 to 10.4	6.9	2.0	9.0 to 10.4	9.9	2.0	8.1 to 8.5	7.1	2.0
Selective Retailing	7.3 to 8.3	8.2	2.0	7.3 to 9.4	7.7	2.0	7.3 to 8.5	8.3	2.0
Other	6.5 to 7.3	8.4	2.0	6.5 to 7.5	4.4	2.0	5.5 to 7.1	5.8	2.0

(a) Following the sale within the consolidated group of the Christian Dior Couture segment by Christian Dior SE to LVMH SE on July 3, 2017, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.

Plans generally cover a five-year period, but may be prolonged up to 10 years in the case of brands for which the production cycle exceeds five years or brands undergoing strategic repositioning. The compound annual growth rate for revenue and the improvement in profit margins over plan periods are comparable to the growth achieved over the past four years, except for brands undergoing strategic repositioning, for which the improvements projected were greater than historical performance due to the expected effects of the repositioning measures implemented.

Annual growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

As of December 31, 2017, the intangible assets with indefinite useful lives that are the most significant in terms of their carrying amounts and the criteria used for their impairment testing are as follows:

(EUR millions)	Brands and trade names	Goodwill	Total	Post-tax discount rate *(as %)*	Growth rate for the period after the plans *(as %)*	Period covered by the forecast cash flows
Louis Vuitton	2,058	546	2,604	8.0	2.0	5 years
Loro Piana [(a)]	1,300	1,047	2,347	N/A	N/A	N/A
Fendi	713	404	1,117	9.3	2.0	5 years
Bvlgari	2,100	1,547	3,647	9.0	2.0	5 years
TAG Heuer	1,060	201	1,261	9.0	2.0	5 years
DFS Galleria	1,908	14	1,922	9.4	2.0	5 years
Hennessy	1,067	47	1,114	6.5	2.0	5 years

(a) For impairment testing purposes, the fair value of Loro Piana was determined by applying the share price multiples of comparable companies to Loro Piana's consolidated operating results. The change in multiples resulting from a 10% decrease in the market capitalization of comparable companies would not generate an impairment risk for Loro Piana's intangible assets.
N/A: not applicable.

As of December 31, 2017, for the business segments listed above, with the exception of Loro Piana, a change of 0.5 points in the post-tax discount rate or in the growth rate for the period after the plan, compared to rates used as of December 31, 2017, or a reduction of 2 points in the annual growth rate for revenue over the period covered by the plans would result in the recognition of an impairment loss for these intangible assets of approximately 50 million euros. The Group considers that changes in excess of the limits mentioned above would entail assumptions at a level not deemed relevant in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned.

With respect to the other business segments, four have disclosed intangible assets with a carrying amount close to their recoverable amount. Impairment tests relating to intangible assets with indefinite useful lives in these business segments have been carried out based on value in use. The amount of these intangible assets as of December 31, 2017 and the impairment loss that would result from a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a reduction of 2 points in the compound annual growth rate for revenue compared to rates used as of December 31, 2017, break down as follows:

		Amount of impairment if:		
(EUR millions)	Amount of intangible assets concerned as of December 31, 2017	Post-tax discount rate increases by 0.5 points	Annual growth rate for revenue decreases by 2 points	Growth rate for the period after the plan decreases by 0.5 points
Watches and Jewelry	14	(4)	(2)	(2)
Other business groups	578	(50)	(35)	(38)
TOTAL	**592**	**(54)**	**(37)**	**(40)**

As of December 31, 2017, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2017 were 568 million euros and 222 million euros, respectively (910 million euros and 399 million euros as of December 31, 2016). See Note 25 regarding the amortization and impairment expense recorded during the fiscal year.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	December 31, 2017			Dec. 31, 2016	June 30, 2016
(EUR millions)	Gross	Depreciation and impairment	Net	Net	Net
Land	1,782	(78)	1,704	1,584	1,459
Vineyard land and producing vineyards [(a)]	2,538	(106)	2,432	2,474	2,436
Buildings	3,716	(1,664)	2,052	1,844	1,811
Investment property	822	(57)	765	857	569
Leasehold improvements, machinery and equipment	11,747	(7,776)	3,971	3,799	3,486
Assets in progress	787	(2)	785	937	942
Other tangible fixed assets	1,956	(447)	1,509	1,467	1,403
TOTAL	**23,348**	**(10,130)**	**13,218**	**12,962**	**12,106**
Of which: *Assets held under finance leases*	*463*	*(196)*	*267*	*309*	*135*
Historical cost of vineyard land and producing vineyards	*753*	*(105)*	*648*	*646*	*639*

(a) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

6.1. Movements in the fiscal year

Movements in property, plant and equipment during the fiscal year break down as follows:

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment: Stores	Production, logistics	Other	Assets in progress	Other tangible fixed assets	Total
As of December 31, 2016	**2,580**	**5,137**	**911**	**7,714**	**2,254**	**1,274**	**945**	**1,951**	**22,766**
Acquisitions	9	331	-	572	158	85	842	132	2,129
Change in the market value of vineyard land	(35)	-	-	-	-	-	-	-	(35)
Disposals and retirements	(3)	(79)	-	(385)	(77)	(105)	(13)	(19)	(681)
Changes in the scope of consolidation	-	73	-	19	75	7	23	15	212
Translation adjustment	(19)	(229)	(59)	(565)	(46)	(69)	(35)	(48)	(1,070)
Other movements, including transfers	6	265	(30)	534	208	94	(975)	(75)	27
AS OF DECEMBER 31, 2017	**2,538**	**5,498**	**822**	**7,889**	**2,572**	**1,286**	**787**	**1,956**	**23,348**

Depreciation and impairment (*EUR millions*)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other tangible fixed assets	Total
				Stores	Production, logistics	Other			
As of December 31, 2016	**(106)**	**(1,709)**	**(54)**	**(4,980)**	**(1,566)**	**(897)**	**(8)**	**(484)**	**(9,804)**
Depreciation expense	(7)	(174)	(5)	(920)	(180)	(136)	-	(66)	(1,488)
Impairment expense	1	(1)	-	(4)	-	-	(1)	-	(5)
Disposals and retirements	3	76	-	382	74	103	2	19	659
Changes in the scope of consolidation	-	(16)	-	(2)	(26)	(4)	(1)	(5)	(54)
Translation adjustment	3	83	2	373	29	51	-	26	567
Other movements, including transfers	-	(1)	-	(56)	(20)	3	6	63	(5)
AS OF DECEMBER 31, 2017	**(106)**	**(1,742)**	**(57)**	**(5,207)**	**(1,689)**	**(880)**	**(2)**	**(447)**	**(10,130)**
CARRYING AMOUNT AS OF DECEMBER 31, 2017	**2,432**	**3,756**	**765**	**2,682**	**883**	**406**	**785**	**1,509**	**13,218**

"Other tangible fixed assets" include in particular the works of art owned by the Group.

Purchases of property, plant and equipment mainly include investments by the Group's brands, notably Sephora, Louis Vuitton, Christian Dior Couture, Bvlgari, Parfums Christian Dior, Fendi and DFS, in their retail networks. They also included investments related to the La Samaritaine project, in addition to investments by Hennessy, the champagne houses and Parfums Christian Dior in their production equipment.

Translation adjustments arose mainly on property, plant and equipment recognized in US dollars, due to fluctuations against the euro between the beginning and end of the fiscal year.

Changes in the scope of consolidation were mainly attributable to the acquisition of Rimowa, see Note 2.

The impact of marking vineyard land to market was 1,785 million euros as of December 31, 2017 (1,829 million euros as of December 31, 2016 and 1,797 million euros as of June 30, 2016). See Notes 1.9 and 1.13 on the measurement method for vineyard land.

The market value of investment property, according to appraisals by independent third parties, was approximately 0.9 billion euros at the level of LVMH as of December 31, 2017. The valuation methods used are based on market data.

6.2. Movements in prior fiscal years

Carrying amount *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment: Stores	Leasehold improvements, machinery and equipment: Production, logistics	Leasehold improvements, machinery and equipment: Other	Assets in progress	Other tangible fixed assets	Total
As of June 30, 2015	**2,370**	**3,097**	**566**	**2,284**	**643**	**462**	**715**	**1,281**	**11,418**
Acquisitions	3	235	1	552	105	75	852	252	2,075
Disposals and retirements	-	-	-	(4)	(4)	(1)	-	-	(9)
Depreciation expense	(6)	(161)	(4)	(910)	(133)	(114)	-	(60)	(1,388)
Impairment expense	-	(15)	-	8	-	-	(1)	-	(8)
Change in the market value of vineyard land	64	-	-	-	-	-	-	-	64
Changes in the scope of consolidation	-	39	-	1	-	2	(1)	-	41
Translation adjustment	(5)	(42)	(5)	(10)	(10)	(1)	(4)	(4)	(81)
Other, including transfers	10	117	11	530	75	(64)	(619)	(66)	(6)
As of June 30, 2016	**2,436**	**3,270**	**569**	**2,451**	**676**	**359**	**942**	**1,403**	**12,106**
Acquisitions	3	136	273	396	56	30	480	75	1,449
Disposals and retirements	-	(1)	-	(1)	(3)	-	-	-	(5)
Depreciation expense	(3)	(83)	(3)	(445)	(71)	(72)	-	(51)	(728)
Impairment expense	(1)	(1)	-	-	-	-	(4)	(2)	(8)
Change in the market value of vineyard land	30	-	-	-	-	-	-	-	30
Changes in the scope of consolidation	-	(9)	-	(15)	(2)	(1)	(1)	-	(28)
Translation adjustment	3	17	7	45	2	3	5	10	92
Other, including transfers	6	99	11	303	30	58	(485)	32	54
AS OF DECEMBER 31, 2016	**2,474**	**3,428**	**857**	**2,734**	**688**	**377**	**937**	**1,467**	**12,962**

Purchases of property, plant and equipment in the fiscal years ended December 31, 2016 and June 30, 2016 included investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS, Bvlgari and Berluti in their retail networks; investments by the champagne houses in their production equipment; investments by Parfums Christian Dior in new counters; and investments in real estate for administrative use, sales operations or rental purposes.

NOTE 7 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	December 31, 2017 Gross	Impairment	Net	*Of which joint arrangements*	Dec. 31, 2016 Net	*Of which joint arrangements*	June 30, 2016 Net	*Of which joint arrangements*
Share of net assets of joint ventures and associates at beginning of period	**764**	**-**	**764**	**355**	**753**	**354**	**521**	**354**
Share of net profit (loss) for the period	8	(8)	-	4	1	4	(1)	(1)
Dividends paid	(22)	-	(22)	(8)	(10)	(8)	(14)	-
Changes in the scope of consolidation	(79)	-	(79)	(79)	-	-	239	-
Capital increases subscribed	5	-	5	3	3	3	-	-
Translation adjustment	(33)	-	(33)	(7)	9	1	(2)	(2)
Other, including transfers	4	-	4	5	8	1	10	3
SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES AT END OF PERIOD	**647**	**(8)**	**639**	**273**	**764**	**355**	**753**	**354**

Changes in the scope of consolidation were mainly related to the disposal of the stake in De Beers Diamond Jewellers.

As of December 31, 2017, investments in joint ventures and associates consisted primarily of:

- for joint arrangements:
  - a 50% stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
- for other companies:
  - a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris, serving as the headquarters for LVMH Moët Hennessy - Louis Vuitton,
  - a 45% stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports,
  - a 46% stake in JW Anderson, a London-based ready-to-wear brand,
  - a 42% stake in Repossi, an Italian jewelry brand, acquired in November 2015,
  - a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton.

NOTE 8 – NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	December 31, 2017 Gross	Impairment	Net	Dec. 31, 2016 Net	June 30, 2016 Net
TOTAL	**1,021**	**(232)**	**789**	**750**	**651**

Non-current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
At beginning of period	**750**	**651**	**632**
Acquisitions	125	20	185
Disposals at net realized value	(91)	(31)	(46)
Changes in market value	116	35	(80)
Changes in impairment	(15)	(16)	(28)
Changes in the scope of consolidation	5	67	-
Translation adjustment	(43)	24	6
Reclassifications	(58)	-	(18)
AT END OF PERIOD	**789**	**750**	**651**

As of December 31, 2017, the fiscal year's acquisitions included, for 64 million euros, the impact of subscription in investment funds.

As of December 31, 2016, the impact of changes in the scope of consolidation corresponded to the stake in G-III Apparel Group received as partial payment of the selling price of Donna Karan International (see Note 2).

As of June 30, 2016, the fiscal year's acquisitions included the 120 million euro impact of non-current available for sale financial assets used to hedge cash-settled LVMH convertible bonds issued during the period (see Note 18.1).

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 22.2 for the breakdown of these assets according to the measurement methods used. Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.15.

NOTE 9 – OTHER NON-CURRENT ASSETS

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Warranty deposits	320	342	334
Derivatives (see Note 22)	246	168	147
Loans and receivables	264	287	196
Other	39	26	34
TOTAL	**869**	**823**	**711**

As of December 31, 2016, the increase in loans and receivables included the vendor loan granted to G-III Apparel Group as part of the sale of Donna Karan International (see Note 2).

NOTE 10 – INVENTORIES AND WORK IN PROGRESS

	December 31, 2017			Dec. 31, 2016	June 30, 2016
(EUR millions)	Gross	Impairment	Net	Net	Net
Wines and eaux-de-vie in the process of aging	4,529	(12)	4,517	4,281	4,228
Other raw materials and work in progress	1,765	(395)	1,370	1,270	1,324
	6,294	**(407)**	**5,887**	**5,551**	**5,552**
Goods purchased for resale	1,987	(220)	1,767	1,853	1,682
Finished products	4,111	(857)	3,254	3,525	3,819
	6,098	**(1,077)**	**5,021**	**5,378**	**5,501**
TOTAL	**12,392**	**(1,484)**	**10,908**	**10,929**	**11,053**

The net change in inventories for the fiscal years presented breaks down as follows:

	December 31, 2017 (12 months)			Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
(EUR millions)	Gross	Impairment	Net	Net	Net
At beginning of period	**12,421**	**(1,492)**	**10,929**	**11,053**	**10,704**
Change in gross inventories	1,037	-	1,037	33	847
Impact of provision for returns [(a)]	11	-	11	3	(7)
Impact of marking harvests to market	(21)	-	(21)	(20)	(15)
Changes in provision for impairment	-	(345)	(345)	(194)	(417)
Changes in the scope of consolidation	(108)	(27)	(135)	(62)	1
Translation adjustment	(663)	98	(565)	116	(60)
Other, including reclassifications	(285)	282	(3)	-	-
AT END OF PERIOD	**12,392**	**(1,484)**	**10,908**	**10,929**	**11,053**

(a) See Note 1.25.

Changes in the scope of consolidation mainly related to the acquisition of Rimowa (see Note 2) as well as the disposal of a Royal Van Lent subsidiary (see Note 32.1).

Translation adjustments arose mainly on inventories recognized in US dollars, based on fluctuations in the dollar-euro exchange rate between the beginning and the end of the fiscal year.

The impact of marking harvests to market on Wines and Spirits' cost of sales and value of inventory is as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Impact of marking the period's harvest to market	5	-	19
Impact of inventory sold during the fiscal year	(26)	(20)	(34)
NET IMPACT ON COST OF SALES OF THE FISCAL YEAR	**(21)**	**(20)**	**(15)**
NET IMPACT ON THE VALUE OF INVENTORY AT END OF PERIOD	**110**	**131**	**151**

See Notes 1.9 and 1.16 on the method of marking harvests to market.

NOTE 11 – TRADE ACCOUNTS RECEIVABLE

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Trade accounts receivable, nominal amount	3,080	3,085	2,506
Provision for impairment	(78)	(71)	(74)
Provision for product returns [(a)]	(265)	(229)	(195)
NET AMOUNT	**2,737**	**2,785**	**2,237**

(a) See Note 1.25.

The change in trade accounts receivable for the fiscal years presented breaks down as follows:

	December 31, 2017 (12 months)			Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
(EUR millions)	Gross	Impairment	Net	Net	Net
At beginning of period	**2,856**	**(71)**	**2,785**	**2,237**	**2,173**
Changes in gross receivables	137	-	137	534	(55)
Changes in provision for impairment	-	(11)	(11)	3	(3)
Changes in provision for product returns [(a)]	(43)	-	(43)	(32)	10
Changes in the scope of consolidation	41	-	41	(13)	135
Translation adjustment	(160)	2	(158)	49	(35)
Reclassifications	(16)	2	(14)	7	12
AT END OF PERIOD	**2,815**	**(78)**	**2,737**	**2,785**	**2,237**

(a) See Note 1.25.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of December 31, 2017, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 91% of the amount of which was granted.

As of December 31, 2017, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

(EUR millions)	Nominal amount of receivables	Impairment	Net amount of receivables
Not due:			
less than 3 months	2,531	(15)	2,516
more than 3 months	85	(5)	80
	2,616	**(20)**	**2,596**
Overdue:			
less than 3 months	312	(6)	306
more than 3 months	152	(52)	100
	464	**(58)**	**406**
TOTAL	**3,080**	**(78)**	**3,002**

For each of the fiscal years presented, no single customer accounted for more than 10% of the Group's consolidated revenue.

The present value of trade accounts receivable is identical to their carrying amount.

NOTE 12 – OTHER CURRENT ASSETS

(EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**	**June 30, 2016**
Current available for sale financial assets (see Note 13)	2,714	374	351
Derivatives (see Note 22)	496	271	296
Tax accounts receivable, excluding income taxes	747	661	610
Advances and payments on account to vendors	203	203	125
Prepaid expenses	396	400	434
Other receivables	563	543	502
TOTAL	**5,119**	**2,452**	**2,318**

The present value of other current assets is identical to their carrying amount.

NOTE 13 – CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**	**June 30, 2016**
Unlisted securities, shares in non-money-market SICAVs and funds	-	-	-
Listed securities and term deposits	2,714	374	351
TOTAL	**2,714**	**374**	**351**
Of which: historical cost of current available for sale financial assets	*2,544*	*351*	*429*

The net value of current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
At beginning of period	**374**	**351**	**257**
Acquisitions and new term deposits	2,312	36	278
Disposals at net realized value and repayment of term deposits	(181)	(73)	(150)
Changes in market value	156	60	(52)
Changes in impairment	-	-	-
Changes in the scope of consolidation	-	-	-
Translation adjustment	(5)	-	-
Reclassifications	58	-	18
AT END OF PERIOD	**2,714**	**374**	**351**

In fiscal year 2017, acquisitions and new term deposits mainly included term deposits with terms longer than three months.

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 1.15 for the method used to determine impairment losses on current available for sale financial assets and Note 22.2 for the breakdown of those assets according to the measurement methods used.

NOTE 14 – CASH AND CHANGE IN CASH

14.1. Cash and cash equivalents

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Term deposits (less than 3 months)	708	530	473
SICAV and FCP money-market funds	2,335	668	457
Ordinary bank accounts	4,543	2,574	2,105
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**7,586**	**3,772**	**3,035**

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Cash and cash equivalents	7,586	3,772	3,035
Bank overdrafts	(120)	(217)	(219)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**7,466**	**3,555**	**2,816**

14.2. Net cash from/(used in) financing activities

For 2017, the reconciliation of the change in net financial debt presented in Note 18.1 and net cash from/(used in) financing activities is as follows:

(EUR millions)	*Notes*	Dec. 31, 2017
Impact on cash of the change in net financial debt	*18.1*	**(2,460)**
Elimination of the change in positive bank balances and bank overdrafts (a)		4,059
Change in cash related to derivatives and other assets not included in net financial debt		61
Net cash from/(used in) financing activities		**1,660**

(a) The change in positive bank balances and bank overdrafts is not disclosed within net cash from/(used in) financing activities.

14.3. Change in working capital

The change in working capital breaks down as follows for the fiscal years presented:

(EUR millions)	*Notes*	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Change in inventories and work in progress	*10*	(1,037)	(33)	(847)
Change in trade accounts receivable (a)	*11*	(133)	(509)	51
Change in trade accounts payable	*21*	310	506	146
Change in other receivables and payables		344	591	71
Change in working capital (b)		**(516)**	**555**	**(579)**

(a) Including a positive impact of 4 million euros related to amounts owed to customers (versus a positive impact of 25 million euros as of December 31, 2016 and a negative impact of 4 million euros as of June 30, 2016).
(b) Increase/(Decrease) in cash and cash equivalents.

14.4. Operating investments

Operating investments comprise the following elements for the fiscal years presented:

(EUR millions)	*Notes*	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Purchase of intangible fixed assets	*3*	(459)	(258)	(413)
Purchase of tangible fixed assets [(a)]	*6*	(2,129)	(1,449)	(2,075)
Deduction of finance lease acquisitions		6	158	46
Changes in accounts payable related to fixed asset purchases		44	96	173
Net cash used in purchases of fixed assets		**(2,538)**	**(1,453)**	**(2,269)**
Net cash from fixed asset disposals		26	2	28
Guarantee deposits paid and other cash flows related to operating investments		(5)	(16)	(1)
OPERATING INVESTMENTS [(b)]		**(2,517)**	**(1,467)**	**(2,242)**

(a) Including finance lease acquisitions.
(b) Increase/(Decrease) in cash and cash equivalents.

NOTE 15 – EQUITY

15.1. Share capital and share premium account

As of December 31, 2017, the share capital consisted of 180,507,516 fully paid-up shares (180,507,516 as of both December 31, 2016 and June 30, 2016), each with a par value of 2 euros, including 129,462,601 shares with double voting rights (126,618,532 as of December 31, 2016 and 126,302,864 as of June 30, 2016). Double voting rights are attached to registered shares held for more than three years.

15.2. Christian Dior treasury shares

The portfolio of Christian Dior treasury shares is allocated as follows:

(EUR millions)	December 31, 2017 Number	December 31, 2017 Amount	Dec. 31, 2016 Amount	June 30, 2016 Amount
Share purchase option plans	519,978	38	61	66
Bonus share and performance share plans	149,952	24	36	34
Future plans	61,321	10	7	9
CHRISTIAN DIOR TREASURY SHARES	**731,251**	**72**	**104**	**109**

The portfolio movements of Christian Dior treasury shares during the fiscal year ended December 31, 2017 were as follows:

(EUR millions)	Number of shares	Amount	Impact on cash
As of December 31, 2016	**1,091,618**	**104**	**-**
Share purchases	-	-	-
Exercise of share purchase options	(259,378)	(20)	20
Vested bonus shares and performance shares	(100,989)	(12)	-
AS OF DECEMBER 31, 2017	**731,251**	**72**	**20**

15.3. Dividends paid by the parent company Christian Dior

In accordance with French regulations, dividends are taken from the profit for the fiscal year and distributable reserves of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares. As of December 31, 2017, the distributable amount was 8,139 million euros; after taking into account the proposed dividend distribution in respect of the 2017 fiscal year, it was 7,525 million euros.

(EUR millions, except for data per share in EUR)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Interim dividend for the current fiscal year (December 31, 2017: 1.60 euros; June 30, 2016: 1.35 euros)	289	-	244
Impact of treasury shares	(2)	-	(2)
Gross amount disbursed for the fiscal year	**287**	**-**	**242**
Final dividend for the previous fiscal year (December 31, 2016: 1.40 euros; June 30, 2016: 2.20 euros; June 30, 2015: 1.95 euros)	253	397	352
Impact of treasury shares	(1)	(2)	(3)
Gross amount disbursed for the previous fiscal year	**252**	**395**	**349**
TOTAL GROSS AMOUNT DISBURSED DURING THE FISCAL YEAR [(a)]	**539**	**395**	**591**

(a) Excluding the impact of tax regulations applicable to the recipients.

The final dividend for fiscal year 2017, as proposed at the Shareholders' Meeting of April 12, 2018, is 3.40 euros per share, representing a total of 614 million euros before deduction of the amount attributable to treasury shares held at the ex-dividend date.

15.4. Cumulative translation adjustment

The change in the translation adjustment recognized under equity, Group share, net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

(EUR millions)	Dec. 31, 2017	Change	Dec. 31, 2016	June 30, 2016
US dollar	52	(146)	198	162
Swiss franc	222	(94)	316	301
Japanese yen	24	(5)	29	35
Hong Kong dollar	136	(96)	232	195
Pound sterling	(46)	(8)	(38)	(26)
Other currencies	(60)	(56)	(4)	(20)
Foreign currency net investment hedges [(a)]	(174)	39	(213)	(206)
TOTAL, GROUP SHARE	**154**	**(366)**	**520**	**441**

(a) Including a negative change of 53 million euros with respect to the US dollar, a negative change of 48 million euros with respect to the Hong Kong dollar, and a negative change of 74 million euros with respect to the Swiss franc. These amounts include the tax impact.

15.5. Strategy relating to the Group's financial structure

The Group firmly believes that the management of its financial structure contributes, together with the development of the companies it owns and the management of its brand portfolio, to its objective of driving value creation for its shareholders. Maintaining a suitable-quality credit rating is a core objective for the Group and ensures good access to markets under favorable conditions, allowing it both to seize opportunities and procure the resources it needs to develop its business.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 18) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- long-term resources to fixed assets;
- proportion of long-term debt in net financial debt.

Long-term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through frequent recourse to several negotiable debt markets (both short- and long-term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts of undrawn confirmed credit lines, intended to largely exceed the outstanding portion of its short-term debt instrument programs, while continuing to represent a reasonable cost for the Group.

NOTE 16 – STOCK OPTION AND SIMILAR PLANS

16.1. General characteristics of plans

Share purchase option plans

The Shareholders' Meeting of December 6, 2016 renewed the authorization given to the Board of Directors, for a period of 26 months expiring in February 2019, to grant share subscription or share purchase options to employees or executives of Group companies, on one or more occasions, in an amount not to exceed 1% of the Company's share capital as of the date of the authorization.

Each share purchase option plan has a term of 10 years. Provided the conditions set by the plan are met, options may be exercised after a four-year period from the plan's commencement date.

No share purchase option plans have been set up since 2010.

For all plans, one option entitles the holder to purchase one share.

Bonus share and performance share plans

The Shareholders' Meeting of December 1, 2015 renewed the authorization given to the Board of Directors, for a period of 26 months expiring in January 2018, to award bonus shares to employees and/or senior executive officers of Group companies, on one or more occasions, up to a maximum of 1% of the Company's share capital as of the date of this authorization.

For plans put in place on or before November 30, 2015, including those set up between 2012 and 2014, shares vest after a three-year period for French tax residents. Shares may be freely transferred or sold only after an additional two-year holding period. Bonus shares awarded to recipients who are foreign residents for tax purposes vest after a period of four years and become freely transferable at that time.

For plans put in place after November 30, 2015, bonus shares awarded to all recipients vest, provided certain conditions are met and irrespective of their residence for tax purposes, after a period of three years, without any subsequent holding period.

The plans combine awards of bonus shares and of performance shares in proportions determined in accordance with the recipient's level in the hierarchy and status.

No bonus share or performance share plan was set up in 2017.

Performance conditions

The majority of the share purchase option plans and bonus share plans are subject to performance conditions that determine vesting.

Performance share awards or options granted under pre-2014 plans only vest if Christian Dior's consolidated financial statements for the calendar year in which the plan was set up (calendar year "Y") and year Y+1 show a positive change compared to calendar year Y-1 in relation to one or more of the following indicators for the Group: profit from recurring operations, net cash from operating activities and operating investments, and current operating margin.

Between 2012 and 2016, Christian Dior's fiscal year did not correspond to the calendar year. For this reason, changes in these indicators were determined on the basis of the 12-month pro forma consolidated financial statements as of December 31 for each calendar year concerned.

For the October 16, 2014 plan, performance shares were only to vest if Christian Dior's consolidated financial statements for the 2015 calendar year showed a positive change compared to calendar year 2014 in relation to one or more of the indicators mentioned above.

For the plans set up since December 1, 2015, performance shares only vest if Christian Dior's consolidated financial statements for calendar years Y+1 and Y+2 after the year the plan was set up show a positive change compared to calendar year Y with respect to one or more of the indicators mentioned above.

This concerns the following plans and fiscal years:

Plan commencement date	Type of plan	Share awards or options granted vest if there is a positive change in one or more of the indicators between calendar years:
May 14, 2009	Share purchase option plans	2009 and 2008; 2010 and 2008
July 25, 2013	"	2013 and 2012; 2014 and 2012
October 16, 2014	"	2015 and 2014
December 1, 2015	"	2016 and 2015; 2017 and 2015
December 6, 2016	"	2017 and 2016; 2018 and 2016

When awards are satisfied using existing shares, the vesting of the shares does not entail any dilution for shareholders.

Impact of the distributions in kind of Hermès shares on stock option and similar plans

As a result of the exceptional distributions in kind in the form of Hermès International shares decided upon at the Combined Shareholders' Meeting on December 9, 2014 and by the Board of Directors on December 11, 2014, (i) the number and exercise price of options granted as of December 17, 2014 were adjusted on that date to protect the holders of share purchase options and (ii) the number of bonus and performance shares whose vesting period had not expired before December 17, 2014 was adjusted on that date to protect the rights of bonus and performance share recipients, in both cases as provided by law.

Thus, the quantities of Christian Dior share purchase options and bonus shares concerned were increased by 8.8%, while the exercise price of those options was reduced by 8.1%. Since these adjustments only had the objective of maintaining the gain obtained by the recipients at the level attained prior to the distribution, they had no effect on the consolidated financial statements.

16.2. Share purchase option plans

The following table presents the main characteristics of the share purchase option plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of options granted (a)	Exercise price *(EUR)*	Vesting period of rights	Number of options exercised during the fiscal year	Number of options expired during the fiscal year	Number of options outstanding as of Dec. 31, 2017
January 31, 2007	506,101	78.11	4 years	228,613	16,323	-
May 15, 2008	513,167	67.31	4 years	9,166	-	323,249
May 14, 2009 (b)	351,912	47.88	4 years	21,599	-	196,729
TOTAL	**1,371,180**			**259,378**	**16,323**	**519,978**

(a) After adjusting for the number of options outstanding as of December 17, 2014 in connection with the distribution in kind of Hermès shares. See Note 16.1.
(b) Plan subject to performance conditions. See Note 16.1 General characteristics of plans.

The number of unexercised share purchase options and the weighted average exercise price changed as follows during the fiscal years presented:

	December 31, 2017		December 31, 2016		June 30, 2016	
(EUR millions)	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share purchase options outstanding at beginning of period	**795,679**	**65.30**	**856,892**	**66.13**	**1,163,198**	**66.12**
Options expired	(16,323)	78.11	-	-	-	-
Options exercised	(259,378)	75.21	(61,213)	76.83	(306,306)	66.09
Share purchase options outstanding at end of period	**519,978**	**59.96**	**795,679**	**65.30**	**856,892**	**66.13**

16.3. Bonus share and performance share plans

The following table presents the main characteristics of the bonus and performance share plans and any changes that occurred during the fiscal year:

Plan commencement date	Initial number of shares in awards [(a)]	Of which: performance shares [(a)(b)]	Calendar years to which performance conditions apply	Conditions satisfied?	Vesting period of rights	Number of shares vested in 2017	Number of shares expired as of in 2017	Number of non-vested shares as of in 2017
July 25, 2013	96,286	89,757	2013 and 2014	Yes	3 [(c)] or 4 [(d)] years	7,979	779	-
October 16, 2014	103,600	97,071	2015	Yes	3 [(c)] or 4 [(d)] years	93,010	-	10,590
December 1, 2015	69,511	64,511	2016 and 2017	Yes	3 years	-	-	69,511
December 6, 2016	69,851	64,851	2017 and 2018	[(e)]	3 years	-	-	69,851
TOTAL	**339,248**	**316,190**				**100,989**	**779**	**149,952**

(a) After adjusting for the number of options outstanding as of December 17, 2014 in connection with the distribution in kind of Hermès shares. See Note 16.1.
(b) See Note 16 General characteristics of plans.
(c) Recipients with tax residence in France.
(d) Recipients with tax residence outside France.
(e) The performance conditions were considered to have been met for the purpose of determining the expense for the fiscal year.

The number of non-vested shares in awards changed as follows during the fiscal years presented:

(number of shares)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Non-vested shares at beginning of period	**251,720**	**268,682**	**202,419**
Shares in awards granted during the period	-	69,851	69,511
Shares vested during the period	(100,989)	(86,813)	(3,248)
Shares expired during the period	(779)	-	-
NON-VESTED SHARES AT END OF PERIOD	**149,952**	**251,720**	**268,682**

16.4. Expense for the fiscal year

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Expense for the fiscal year relating to Christian Dior share purchase option and bonus and performance share plans	11	5	10
Expense for the fiscal year relating to LVMH share subscription option and bonus and performance share plans	62	20	39
EXPENSE FOR THE FISCAL YEAR	**73**	**25**	**49**

See Note 1.27 regarding the method used to determine the accounting expense.

For LVMH

The LVMH closing share price the day before the grant date of the plans was 208.85 euros for the plan dated April 13, 2017, 218.85 euros for the plan dated July 26, 2017, and 240.80 euros for the plan dated October 25, 2017.

The average unit value of non-vested bonus shares in awards granted during the fiscal year under these plans was 218.64 euros.

For Christian Dior

No new stock option or similar plans were put in place during fiscal year 2017 for Christian Dior.

NOTE 17 – MINORITY INTERESTS

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
At beginning of period	**18,246**	**17,062**	**16,047**
Minority interests' share of net profit	3,513	1,666	2,595
Dividends paid to minority interests	(1,504)	(471)	(1,307)
Impact of changes in control of consolidated entities [(a)]:	102	(7)	27
Of which: Rimowa	*89*	-	-
Other	*13*	*(7)*	*27*
Impact of acquisition and disposal of minority interests' shares [(a)]:	247	(255)	21
Of which: Movements in LVMH SE share capital and treasury shares	*9*	*(253)*	*22*
Sale of the Christian Dior Couture segment to LVMH	*351*	-	-
Loro Piana [(b)]	*(109)*	-	-
Other movements	*(4)*	*(2)*	*(1)*
Capital increases subscribed by minority interests	44	35	92
Minority interests' share in gains and losses recognized in equity	(369)	301	(208)
Minority interests' share in stock option plan expenses	39	13	24
Impact of changes in minority interests with purchase commitments	(367)	(98)	(229)
AT END OF PERIOD	**19,951**	**18,246**	**17,062**

(a) The total impact of changes in ownership interests in consolidated entities thus amounted to 349 million euros as of December 31, 2017, -262 million euros as of December 31, 2016, and 48 million euros as of June 30, 2016.
(b) Of which -58 million euros for minority interests in Loro Piana and -47 million euros for LVMH SE shareholders excluding Christian Dior SE's controlling interest. See Note 2.

The change in minority interests' share in gains and losses recognized in equity, including the tax impact, breaks down as follows:

(EUR millions)	Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Revaluation adjustments of employee benefits	Total share of minority interests
As of June 30, 2015	**873**	**93**	**11**	**758**	**(82)**	**1,653**
Changes for the fiscal year	(128)	(84)	(4)	28	(20)	(208)
Changes due to LVMH SE treasury shares	1	-	-	1	-	2
As of June 30, 2016	**746**	**9**	**7**	**787**	**(102)**	**1,447**
Changes for the fiscal year	159	65	(2)	91	(12)	301
Changes due to LVMH SE treasury shares	(1)	-	-	(1)	-	(2)
As of December 31, 2016	**904**	**74**	**5**	**877**	**(114)**	**1,746**
Changes for the fiscal year	(650)	109	119	31	22	(369)
Changes due to LVMH SE treasury shares and reclassifications	(1)	(1)	-	4	4	6
AS OF DECEMBER 31, 2017	**253**	**182**	**124**	**912**	**(88)**	**1,383**

Minority interests are essentially composed of LVMH SE shareholders excluding Christian Dior SE's controlling interest, i.e. shareholders owning 59% of LVMH SE.

Minority interests also include Diageo's 34% stake in Moët Hennessy and the 39% stake held by Robert Miller in DFS.

Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at year-end under Other non-current liabilities and is therefore excluded from the total amount of minority interests at the balance sheet date. See Notes 1.12 and 20.

Dividends paid to Diageo during fiscal year 2017 in respect of fiscal year 2016 amounted to 150 million euros. Net profit attributable to Diageo for fiscal year 2017 was 340 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,072 million euros as of December 31, 2017. As of that date, the condensed consolidated balance sheet of Moët Hennessy was as follows:

(EUR billions)	Dec. 31, 2017
Tangible and intangible fixed assets	3.7
Other non-current assets	0.3
Non-current assets	**4.0**
Inventories	5.1
Other current assets	1.5
Cash and cash equivalents	2.2
Current assets	**8.8**
Assets	**12.8**

(EUR billions)	Dec. 31, 2017
Equity	9.0
Non-current liabilities	0.9
Equity and non-current liabilities	**9.9**
Short-term borrowings	1.1
Other current liabilities	1.8
Current liabilities	**2.9**
Liabilities and equity	**12.8**

Please refer also to Note 23 regarding the revenue, operating profit and main assets of the Wines and Spirits business group, which relate primarily to Moët Hennessy's business activities.

NOTE 18 – BORROWINGS

18.1. Net financial debt

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Long-term borrowings	7,893	5,241	5,453
Short-term borrowings	4,553	3,854	4,918
Gross borrowings	**12,446**	**9,095**	**10,371**
Interest rate risk derivatives	(28)	(65)	(86)
Gross borrowings after derivatives	**12,418**	**9,030**	**10,285**
Current available for sale financial assets [(a)]	(2,714)	(374)	(351)
Non-current available for sale financial assets used to hedge financial debt [(b)]	(117)	(131)	(122)
Cash and cash equivalents [(c)]	(7,586)	(3,772)	(3,035)
NET FINANCIAL DEBT	**2,001**	**4,753**	**6,777**

(a) See Note 13.
(b) See Note 9 to the consolidated financial statements for the fiscal year ended December 31, 2016.
(c) See Note 14.1.

The change in net financial debt during the fiscal year is as follows:

(en millions d'euros)	Dec. 31, 2016	Impact on cash [(a)]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassi-fication and other	Dec. 31, 2017
Long-term borrowings	5,241	4,727	(210)	1	16	(1,883)	7,893
Short-term borrowings	3,854	(1,067)	(156)	(36)	72	1,885	4,553
Gross borrowings	**9,095**	**3,661**	**(365)**	**(35)**	**89**	**2**	**12,446**
Interest rate risk derivatives	(65)	-	-	35	-	2	(28)
Gross borrowings after derivatives	**9,030**	**3,661**	**(365)**	**-**	**89**	**4**	**12,418**
Current available for sale financial assets	(374)	(2,131)	5	(156)	-	(58)	(2,714)
Non-current available for sale financial assets used to hedge financial debt	(131)	-	17	(3)	-	-	(117)
Cash and cash equivalents	(3,772)	(3,990)	203	-	(27)	-	(7,586)
NET FINANCIAL DEBT	**4,753**	**(2,460)**	**(140)**	**(159)**	**61**	**(54)**	**2,001**

(a) See Note 14.2.

In May 2017, LVMH carried out a bond issue divided into four tranches totaling 4.5 billion euros, comprised of 3.25 billion euros in fixed-rate bonds and 1.25 billion euros in floating-rate bonds.

In addition, in June 2017, LVMH issued 400 million pounds sterling in fixed-rate bonds maturing in June 2022. At the time these bonds were issued, swaps were entered into that converted them into euro-denominated borrowings.

During the fiscal year, LVMH repaid the 850 million US dollar bond issued in 2012, the 150 million euro bond issued in 2009, and the 350 million pounds sterling bond issued in 2014.

During the fiscal year ended December 31, 2016, LVMH repaid the 650 million euro bond issued in 2013 and 2014.

During the fiscal year ended June 30, 2016, LVMH issued exclusively cash-settled five-year convertible bonds with a total face value of 600 million US dollars in February 2016, supplemented by a 150 million US dollar tap issue carried out in April 2016. These bonds, which were issued at 103% and 104.27% of their face value respectively, are redeemable at par (if they are not converted) and do not bear interest.

In addition to these issues, LVMH subscribed to financial instruments with the same maturity, enabling it to fully hedge its exposure to any positive or negative changes in the share price. This set of transactions, involving euro-denominated swaps, provides the Group with the equivalent of traditional euro-denominated bond financing at an advantageous cost.

As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Derivatives" (see Note 22), with hedging instruments other than these optional components recorded under "Non-current available for sale financial assets" (see Note 8). Given their connection to the bonds issued, hedging instruments are presented as deducted from gross financial debt in calculating net financial debt, and their impact on cash and cash equivalents is presented under "Financing activities" in the cash flow statement.

During the second half of the fiscal year ended June 30, 2016, Christian Dior issued a 350 million euro fixed-rate bond maturing in June 2021. These bonds were issued at 99.90% of their face value and are redeemable at par. The coupon rate is 0.75% per year. During the same period, Christian Dior repaid a 300 million euro bond issued in 2011.

Net financial debt does not take into consideration purchase commitments for minority interests' shares, which are classified as "Other non-current liabilities" (see Note 20).

18.2. Analysis of gross borrowings

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Bonds and Euro Medium-Term Notes (EMTNs)	7,404	4,322	4,723
Finance and other long-term leases	296	342	166
Bank borrowings	193	577	564
LONG-TERM BORROWINGS	**7,893**	**5,241**	**5,453**
Bonds and Euro Medium-Term Notes (EMTNs)	1,753	1,377	1,636
Finance and other long-term leases	21	10	17
Bank borrowings	340	425	375
Short-term negotiable debt instruments [a]	1,855	1,204	2,202
Other borrowings and credit facilities	424	588	441
Bank overdrafts	120	217	219
Accrued interest	40	33	28
SHORT-TERM BORROWINGS	**4,553**	**3,854**	**4,918**
TOTAL GROSS BORROWINGS	**12,446**	**9,095**	**10,371**

(a) Euro- and US dollar-denominated commercial paper.

The market value of gross borrowings, based on market data and commonly used valuation models, was 12,418 million euros as of December 31, 2017 (9,128 million euros as of December 31, 2016 and 10,495 million euros as of June 30, 2016), including 4,556 million euros in short-term borrowings (3,582 million euros as of December 31, 2016) and 7,862 million euros in long-term borrowings (5,276 million euros as of December 31, 2016).

As of December 31, 2017, December 31, 2016 and June 30, 2016, no financial debt was recognized using the fair value option. See Note 1.20.

18.3. Bonds and EMTNs

Nominal amount *(in currency)*	Year issued	Maturity	Initial effective interest rate [b] *(%)*	Dec. 31, 2017 *(EUR millions)*	Dec. 31, 2016 *(EUR millions)*	June 30, 2016 *(EUR millions)*
EUR 1,200,000,000	2017	2024	0.82	1,192	-	-
EUR 800,000,000	2017	2022	0.46	796	-	-
GBP 400,000,000	2017	2022	1.09	445	-	-
EUR 1,250,000,000	2017	2020	0.13	1,246	-	-
EUR 1,250,000,000	2017	2018	Floating	1,253	-	-
USD 750,000,000 [a]	2016	2021	1.92	603	682	642
EUR 350,000,000	2016	2021	0.86	348	348	349
EUR 650,000,000	2014	2021	1.12	663	670	676
AUD 150,000,000	2014	2019	3.68	100	103	103
EUR 500,000,000	2014	2019	1.56	499	498	497
EUR 300,000,000	2014	2019	Floating	300	300	300
GBP 350,000,000	2014	2017	1.83	-	413	429
EUR 600,000,000	2013	2020	1.89	606	608	610
EUR 650,000,000 [c]	2013	2016	Floating	-	-	650
EUR 600,000,000 [d]	2013	2019	1.25	605	608	610
USD 850,000,000	2012	2017	1.75	-	811	773
EUR 500,000,000	2011	2018	4.08	501	505	506
EUR 150,000,000	2011	2016	4.22	-	153	155
Private placements in foreign currencies				-	-	59
TOTAL BONDS AND EMTNS				**9,157**	**5,699**	**6,359**

(a) Cumulative amounts and weighted average initial effective interest rate based on a 600 million US dollar bond issued in February 2016 at an initial effective interest rate of 1.96% and a 150 million US dollar tap issue carried out in April 2016 at an effective interest rate of 1.74%. These yields were determined excluding the option component.
(b) Before the impact of interest rate hedges implemented when or after the bonds were issued.
(c) Cumulative amounts based on a 500 million euro floating-rate bond issued in 2013 and a 150 million euro floating-rate tap issue carried out in 2014.
(d) Cumulative amounts and weighted average initial effective interest rate based on a 500 million euro bond issued in 2013 at an initial effective interest rate of 1.38% and a 100 million euro tap issue carried out in 2014 at an effective interest rate of 0.62%.

18.4. Analysis of gross borrowings by payment date and by type of interest rate

	Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
(EUR millions)	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity									
December 31, 2018	3,008	1,545	4,553	1	(4)	(3)	3,009	1,541	4,550
December 31, 2019	1,245	314	1,559	(348)	340	(8)	897	654	1,551
December 31, 2020	1,895	4	1,899	(401)	394	(7)	1,494	398	1,892
December 31, 2021	1,638	4	1,642	(650)	634	(16)	988	638	1,626
December 31, 2022	1,262	4	1,266	(313)	317	4	949	321	1,270
December 31, 2023	17	3	20	-	-	-	17	3	20
Thereafter	1,463	44	1,507	(300)	302	2	1,163	346	1,509
TOTAL	**10,528**	**1,918**	**12,446**	**(2,011)**	**1,983**	**(28)**	**8,517**	**3,901**	**12,418**

See Note 22.4 for the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2018 is as follows:

(EUR millions)	Falling due in 2018
First quarter	2,531
Second quarter	659
Third quarter	16
Fourth quarter	1,347
TOTAL	**4,553**

18.5. Analysis of gross borrowings by currency after derivatives

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Euro	10,250	6,966	7,928
US dollar	833	698	646
Swiss franc	583	633	902
Japanese yen	395	290	298
Other currencies	357	443	511
TOTAL	**12,418**	**9,030**	**10,285**

In general, the purpose of foreign currency borrowings is to hedge the net foreign currency-denominated assets of consolidated companies located outside the eurozone.

18.6. Sensitivity

On the basis of debt as of December 31, 2017:

- an instantaneous increase of 1 point in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 39 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 201 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 39 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 201 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2017, due to the absence of hedging of future interest payments.

18.7. Covenants

As is normal practice for syndicated loans, Christian Dior SE has signed commitments to maintain an ownership interest and voting rights in certain subsidiaries.

In connection with certain loan agreements, the Group has undertaken to comply with certain financial covenants. As of December 31, 2017, no significant loan agreements were concerned by those covenants.

18.8. Undrawn confirmed credit lines

As of December 31, 2017, undrawn confirmed credit lines totaled 5.1 billion euros.

18.9. Guarantees and collateral

As of December 31, 2017, borrowings secured by collateral were less than 200 million euros.

NOTE 19 – PROVISIONS

(EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**	**June 30, 2016**
Provisions for pensions, medical costs and similar commitments	625	715	741
Provisions for contingencies and losses	1,944	1,653	1,271
Provisions for reorganization	9	18	25
Non-current provisions	**2,578**	**2,386**	**2,037**
Provisions for pensions, medical costs and similar commitments	4	5	4
Provisions for contingencies and losses	366	320	325
Provisions for reorganization	34	29	26
Current provisions	**404**	**354**	**355**
TOTAL	**2,982**	**2,740**	**2,392**

During the fiscal year ended December 31, 2017, the changes in provisions were as follows:

(EUR millions)	**Dec. 31, 2016**	**Increases**	**Amounts used**	**Amounts released**	**Changes in the scope of consolidation**	**Other (a)**	**Dec. 31, 2017**
Provisions for pensions, medical costs and similar commitments	720	111	(131)	(3)	-	(68)	629
Provisions for contingencies and losses	1,973	984	(179)	(490)	35	(13)	2,310
Provisions for reorganization	47	34	(32)	(1)	-	(5)	43
TOTAL	**2,740**	**1,129**	**(342)**	**(494)**	**35**	**(86)**	**2,982**
Of which:							
Profit from recurring operations		494	(323)	(101)			
Net financial income/(expense)		1	-	-			
Other		634	(19)	(393)			

(a) Including the impact of translation adjustment and change in revaluation reserves.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 31), or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.).

In particular, the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially verified, give rise to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of IAS 37 Provisions and IAS 12 Income Taxes.

Provisions for retirement benefit obligations, contribution to medical costs and other employee benefit commitments are analyzed in Note 29.

NOTE 20 – OTHER NON-CURRENT LIABILITIES

(EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**	**June 30, 2016**
Purchase commitments for minority interests' shares	9,177	7,877	7,871
Derivatives [a]	216	134	68
Employee profit sharing	94	91	78
Other liabilities	370	407	458
TOTAL	**9,857**	**8,509**	**8,475**

(a) See Note 22.

Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc and Clos des Lambrays, and excluding certain Champagne vineyards.

As of December 31, 2017, December 31, 2016 and June 30, 2016, purchase commitments for minority interests' shares mainly included the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy, with six months' advance notice, and for 80% of the fair value of Moët Hennessy at the exercise date of the option. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), Fresh (20%) and distribution subsidiaries in various countries, mainly in the Middle East.

In 2017, the put option granted to the Loro Piana family in the eponymous company was partially exercised. Put options granted to minority interests in Ile de Beauté (35%) and Heng Long (35%) were exercised in 2016. See Note 2.

NOTE 21 – TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

21.1. Trade accounts payable

The change in trade accounts payable for the periods presented breaks down as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
At beginning of period	**4,384**	**3,835**	**3,602**
Changes in trade accounts payable	310	506	146
Changes in amounts owed to customers	4	25	(4)
Changes in the scope of consolidation	52	(31)	125
Translation adjustment	(203)	68	(33)
Reclassifications	(7)	(19)	(1)
AT END OF PERIOD	**4,540**	**4,384**	**3,835**

21.2. Other current liabilities

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Derivatives (see Note 22)	58	208	202
Employees and social institutions	1,530	1,407	1,121
Employee profit sharing	101	103	57
Taxes other than income taxes	634	594	421
Advances and payments on account from customers	354	259	237
Deferred payment for non-current assets	548	625	519
Deferred income	255	251	205
Other liabilities	1,288	1,175	931
TOTAL	**4,768**	**4,622**	**3,693**

The present value of the other current liabilities is identical to their carrying amount.

NOTE 22 – FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

22.1. Organization of foreign exchange, interest rate and equity market risk management

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized at each sub-consolidation level.

The Group has implemented a stringent policy and rigorous management guidelines to manage, measure, and monitor these market risks.

These activities are organized based on a segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

The backbone of this organization is information systems that allow hedging transactions to be monitored quickly.

Hedging decisions are made according to a clearly established process that includes regular presentations to the management bodies concerned and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

22.2. Financial assets and liabilities at fair value by measurement method

(EUR millions)	December 31, 2017 Available for sale financial assets	December 31, 2017 Derivatives	December 31, 2017 Cash and cash equivalents (SICAV and FCP money-market funds)	December 31, 2016 Available for sale financial assets	December 31, 2016 Derivatives	December 31, 2016 Cash and cash equivalents (SICAV and FCP money-market funds)	June 30, 2016 Available for sale financial assets	June 30, 2016 Derivatives	June 30, 2016 Cash and cash equivalents (SICAV and FCP money-market funds)
Valuation [(a)] based on:									
Published price quotations	2,971	-	7,586	727	-	3,772	601	-	3,035
Model using observable market data	331	742	-	204	439	-	191	443	-
Private quotations	201	-	-	193	-	-	210	-	-
ASSETS	**3,503**	**742**	**7,586**	**1,124**	**439**	**3,772**	**1,002**	**443**	**3,035**
Valuation [(a)] based on:									
Published price quotations		-			-			-	
Model using observable market data		274			342			270	
Private quotations		-			-			-	
LIABILITIES		**274**			**342**			**270**	

(a) See Note 1.9 for information on the valuation approaches used.

Derivatives used by the Group are measured at fair value according to generally accepted models and on the basis of observable market data. The counterparty risk associated with these derivatives (i.e. the credit valuation adjustment) is assessed on the basis of credit spreads from observable market data, as well as on the basis of the derivatives' market value adjusted by flat-rate add-ons depending on the type of underlying and the maturity of the derivative. This risk was not significant as of December 31, 2017, December 31, 2016 or June 30, 2016.

The amount of financial assets valued on the basis of private quotations changed as follows in the fiscal year ended December 31, 2017:

(EUR millions)	**Dec. 31, 2017** (12 months)
As of January 1	**193**
Acquisitions	74
Disposals (at net realized value)	(15)
Gains and losses recognized in income statement	(6)
Gains and losses recognized in equity	21
Reclassifications	(66)
AS OF DECEMBER 31	**201**

22.3. Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

(EUR millions)		*Notes*	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Interest rate risk					
Assets:	non-current		33	53	75
	current		9	17	22
Liabilities:	non-current		(8)	-	-
	current		(6)	(5)	(11)
		22.4	**28**	**65**	**86**
Foreign exchange risk					
Assets:	non-current		34	46	45
	current		485	254	268
Liabilities:	non-current		(29)	(65)	(40)
	current		(52)	(200)	(191)
		22.5	**438**	**35**	**82**
Other risks					
Assets:	non-current		179	69	27
	current		2	-	6
Liabilities:	non-current		(179)	(69)	(28)
	current		-	(3)	-
		22.6	**2**	**(3)**	**5**
TOTAL					
Assets:	non-current	*9*	246	168	147
	current	*12*	496	271	296
Liabilities:	non-current	*20*	(216)	(134)	(68)
	current	*21*	(58)	(208)	(202)
			468	**97**	**173**

22.4. Derivatives used to manage interest rate risk

The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the impact of significant changes in interest rates.

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2017 break down as follows:

	Nominal amounts by maturity				Market value [a] [b]		
(EUR millions)	Less than 1 year	1 to 5 years	More than 5 years	Total	Fair value hedges	Not allocated	Total
Interest rate swaps in euros, floating-rate payer	-	2,349	-	2,349	29	-	29
Interest rate swaps in euros, fixed-rate payer	-	343	-	343	1	-	1
Foreign currency swaps	57	1,100	-	1,157	(2)	-	(2)
Other interest rate risk derivatives	-	167	-	167	-	-	-
TOTAL					**28**	**-**	**28**

(a) Gain/(Loss).
(b) See Note 1.9 regarding the methodology used for market value measurement.

22.5. Derivatives used to manage foreign exchange risk

A significant part of Group companies' sales to customers and to their own retail subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are intercompany cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

The Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the eurozone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2017 break down as follows:

	Nominal amounts by year of allocation [a]				Market value [b] [c]				
(EUR millions)	2017	2018	Thereafter	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	257	39	-	296	1	1	-	1	3
Put JPY	21	21	-	42	1	1	-	-	2
Put GBP	-	21	-	21	-	-	-	-	-
	278	**81**	**-**	**359**	**2**	**2**	**-**	**1**	**5**
Collars									
Written USD	288	4,360	56	4,704	18	319	-	-	337
Written JPY	10	875	28	913	2	75	-	-	77
Written GBP	11	220	-	231	-	4	-	-	4
	309	**5,455**	**84**	**5,848**	**20**	**398**	**-**	**-**	**418**
Forward exchange contracts									
USD	4	(102)	-	(98)	-	(5)	-	-	(5)
JPY	26	-	-	26	-	-	-	-	-
CHF	(33)	(294)	-	(327)	-	(7)	-	-	(7)
GBP	24	82	-	106	-	(4)	-	-	(4)
RUB	33	-	-	33	-	-	-	-	-
Other	118	46	-	164	1	(1)	-	-	-
	172	**(268)**	**-**	**(96)**	**1**	**(17)**	**-**	**-**	**(16)**
Foreign exchange swaps									
USD	1,486	4	-	1,490	12	-	8	-	20
CHF	145	-	-	145	3	-	2	-	5
GBP	738	-	-	738	(5)	-	-	-	(5)
JPY	335	2	-	337	6	-	1	-	7
Other	423	5	-	428	-	-	4	-	4
	3,127	**11**	**-**	**3,138**	**16**	**-**	**15**	**-**	**31**
TOTAL					**39**	**383**	**15**	**1**	**438**

(a) Sale/(Purchase).
(b) See Note 1.9 regarding the methodology used for market value measurement.
(c) Gain/(Loss).

The impact on the income statement of gains and losses on hedges of future cash flows, as well as the future cash flows hedged using these instruments, will mainly be recognized in 2018; the amount will depend on exchange rates at that date.

The impact on the net profit for fiscal year 2017 of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro, including the impact of foreign exchange derivatives outstanding during the period, compared with the rates applying to transactions in 2017, would have been as follows:

	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
(EUR millions)	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Impact of:								
- change in exchange rates of cash receipts in respect of foreign currency-denominated sales	192	(39)	39	(10)	-	-	-	-
- conversion of net profit of entities outside the eurozone	35	(35)	16	(16)	10	(10)	31	(31)
Impact on net profit	**227**	**(74)**	**55**	**(26)**	**10**	**(10)**	**31**	**(31)**

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2017, mainly comprising options and collars.

As of December 31, 2017, forecast cash collections for 2018 in US dollars and Japanese yen are 76% hedged.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2017 is assessed by measuring the impact of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro compared to the rates applying as of the same date:

	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
(EUR millions)	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Conversion of foreign currency-denominated net assets	308	(308)	41	(41)	279	(279)	116	(116)
Change in market value of net investment hedges, after tax	(215)	279	(44)	56	(43)	35	(16)	13
Net impact on equity, excluding net profit	**93**	**(29)**	**(3)**	**15**	**236**	**(244)**	**100**	**(103)**

22.6. Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long-term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly, as a result of its holding of subsidiaries, equity investments and current available for sale financial assets, or indirectly, as a result of its holding of funds which are themselves partially invested in shares.

The Group may also use equity-based derivatives to create synthetically an economic exposure to certain assets, to hedge cash- settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. If applicable, the carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2017 have a positive market value of 2 million euros. Considering nominal values of 170 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2017 would have a net impact on the Group's consolidated reserves in an amount of less than 1 million euros. These instruments mature in 2018.

22.7. Liquidity risk

Aside from the Group's local liquidity risks, which are generally not significant, its overall exposure to liquidity risk can be assessed (a) with regard to outstanding amounts in respect of its short-term negotiable debt instrument programs (1.9 billion euros) and (b) by comparing the amount of the short-term portion of its net financial debt before hedging (4.6 billion euros) to the amount of cash and cash equivalents (7.6 billion euros), amounting to 3.0 billion euros as of December 31, 2017. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 5.1 billion euros.

The Group's liquidity is based on the amount of its investments, its capacity to raise long-term borrowings, the diversity of its investor base (short-term paper and bonds), and the quality of its banking relationships, whether evidenced or not by confirmed lines of credit.

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2017, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2018	2019	2020	2021	2022	Over 5 years	Total
Bonds and EMTNs	1,824	1,552	1,887	1,651	1,267	1,218	9,399
Bank borrowings	350	37	27	7	-	128	549
Other borrowings and credit facilities	464	-	-	-	-	-	464
Finance and other long-term leases	28	28	28	28	29	669	810
Short-term debt instruments	1,855	-	-	-	-	-	1,855
Bank overdrafts	120	-	-	-	-	-	120
Gross borrowings	**4,641**	**1,617**	**1,942**	**1,686**	**1,296**	**2,015**	**13,197**
Other liabilities, current and non-current [(a)]	4,455	79	19	20	18	97	4,688
Trade accounts payable	4,540	-	-	-	-	-	4,540
Other financial liabilities	**8,995**	**79**	**19**	**20**	**18**	**97**	**9,228**
TOTAL FINANCIAL LIABILITIES	**13,636**	**1,696**	**1,961**	**1,706**	**1,314**	**2,112**	**22,425**

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 4,455 million euros and to "Other non-current liabilities" (excluding derivatives, purchase commitments for minority interests and deferred income of 231 million euros as of December 31, 2017) for 233 million euros.

See Note 30.3 regarding contractual maturity dates of collateral and other guarantee commitments. See Notes 18.5 and 22.5 regarding foreign exchange derivatives and Note 22.4 regarding interest rate risk derivatives.

NOTE 23 – SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

Christian Dior Couture and Rimowa have been consolidated as part of the Fashion and Leather Goods business group since January 2017.

23.1. Information by business group

***December 31, 2017** (12 months)*

(EUR millions)	Wines and Spirits	Fashion and Leather Goods [a]	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [b]	Total
Sales outside the Group	5,051	16,467	4,532	3,721	13,266	629	-	43,666
Intra-Group sales	33	52	1,028	84	45	33	(1,275)	-
TOTAL REVENUE	**5,084**	**16,519**	**5,560**	**3,805**	**13,311**	**662**	**(1,275)**	**43,666**
Profit from recurring operations	1,558	5,022	600	512	1,075	(346)	(48)	8,373
Other operating income and expenses	(18)	(36)	(8)	(78)	(42)	8	-	(174)
Depreciation and amortization expense	(159)	(742)	(254)	(223)	(452)	(65)	-	(1,895)
Impairment expense	1	-	-	(50)	(58)	(2)	-	(109)
Intangible assets and goodwill [c]	8,313	7,600	1,999	5,684	3,348	1,435	-	28,379
Property, plant and equipment	2,740	3,058	607	537	1,701	4,582	(7)	13,218
Inventories	5,115	1,905	634	1,420	2,111	16	(293)	10,908
Other operating assets	1,449	1,235	1,108	598	845	1,279	13,743 [d]	20,257
TOTAL ASSETS	**17,617**	**13,798**	**4,348**	**8,239**	**8,005**	**7,312**	**13,443**	**72,762**
Equity	-	-	-	-	-	-	32,733	32,733
Liabilities	1,544	3,529	1,706	895	2,839	1,247	28,269 [e]	40,029
TOTAL LIABILITIES AND EQUITY	**1,544**	**3,529**	**1,706**	**895**	**2,839**	**1,247**	**61,002**	**72,762**
Operating investments [f]	(292)	(804)	(286)	(269)	(570)	(297)	1	(2,517)

***December 31, 2016** (6 months)*

(EUR millions)	Wines and Spirits	Fashion and Leather Goods [a]	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [b]	Total
Sales outside the Group	2,765	7,909	2,155	1,826	6,473	308	-	21,436
Intra-Group sales	14	24	461	33	20	26	(578)	-
TOTAL REVENUE	**2,779**	**7,933**	**2,616**	**1,859**	**6,493**	**334**	**(578)**	**21,436**
Profit from recurring operations	939	2,421	279	253	509	(156)	(7)	4,238
Other operating income and expenses	(17)	14	(6)	(31)	(63)	10	-	(93)
Depreciation and amortization expense	(77)	(380)	(114)	(109)	(219)	(29)	-	(928)
Impairment expense	(4)	(41)	(1)	(32)	(62)	(1)	-	(141)
Intangible assets and goodwill [c]	7,220	6,842	2,024	5,879	3,692	1,457	-	27,114
Property, plant and equipment	2,613	2,954	585	529	1,777	4,526	(22)	12,962
Inventories	4,920	1,895	581	1,403	2,172	242	(284)	10,929
Other operating assets	1,419	1,238	948	720	908	983	7,563 [d]	13,779
TOTAL ASSETS	**16,172**	**12,929**	**4,138**	**8,531**	**8,549**	**7,208**	**7,257**	**64,784**
Equity	-	-	-	-	-	-	30,084	30,084
Liabilities	1,524	3,115	1,593	918	2,924	1,201	23,425 [e]	34,700
TOTAL LIABILITIES AND EQUITY	**1,524**	**3,115**	**1,593**	**918**	**2,924**	**1,201**	**53,509**	**64,784**
Operating investments [f]	(184)	(379)	(158)	(134)	(322)	(289)	(1)	(1,467)

***June 30, 2016** (12 months)*

(EUR millions)	Wines and Spirits	Fashion and Leather Goods [(a)]	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [(b)]	Total
Sales outside the Group	4,698	14,132	3,974	3,306	11,362	496	-	37,968
Intra-Group sales	31	43	806	59	36	48	(1,023)	-
TOTAL REVENUE	**4,729**	**14,175**	**4,780**	**3,365**	**11,398**	**544**	**(1,023)**	**37,968**
Profit from recurring operations	1,446	3,683	547	432	917	(207)	(26)	6,792
Other operating income and expenses	(52)	(123)	(7)	(32)	(4)	22	-	(196)
Depreciation and amortization expense	(141)	(768)	(196)	(208)	(372)	(41)	-	(1,726)
Impairment expense	(15)	(71)	-	-	(3)	(11)	-	(100)
Intangible assets and goodwill [(c)]	7,367	7,406	2,016	5,872	3,470	1,394	-	27,525
Property, plant and equipment	2,494	2,869	530	495	1,631	4,108	(21)	12,106
Inventories	4,980	2,017	580	1,526	2,021	203	(274)	11,053
Other operating assets	1,086	1,069	783	706	740	1,134	6,702 [(d)]	12,220
TOTAL ASSETS	**15,927**	**13,361**	**3,909**	**8,599**	**7,862**	**6,839**	**6,407**	**62,904**
Equity	-	-	-	-	-	-	28,129	28,129
Liabilities	1,276	2,801	1,331	895	2,200	1,195	25,077 [(e)]	34,775
TOTAL LIABILITIES AND EQUITY	**1,276**	**2,801**	**1,331**	**895**	**2,200**	**1,195**	**53,206**	**62,904**
Operating investments [(f)]	(237)	(704)	(240)	(197)	(492)	(377)	5	(2,242)

(a) Following the sale within the consolidated group of the Christian Dior Couture segment by Christian Dior SE to LVMH SE on July 3, 2017, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.
(b) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(c) Intangible assets and goodwill correspond to the carrying amounts shown under Notes 3 and 4.
(d) Assets not allocated include available for sale financial assets, other financial assets, and both current and deferred tax assets.
(e) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(f) Increase/(Decrease) in cash and cash equivalents.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
France	4,292	2,173	3,842
Europe (excluding France)	8,215	4,075	6,964
United States	10,793	5,634	9,977
Japan	3,008	1,488	2,677
Asia (excluding Japan)	12,259	5,546	10,142
Other countries	5,099	2,520	4,366
REVENUE	**43,666**	**21,436**	**37,968**

Operating investments by geographic region are as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
France	935	460	770
Europe (excluding France)	459	229	445
United States	399	358	380
Japan	252	51	54
Asia (excluding Japan)	318	195	460
Other countries	154	174	133
OPERATING INVESTMENTS	**2,517**	**1,467**	**2,242**

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue generated by these assets in each region, and not in relation to the region of their legal ownership.

23.3. Quarterly information

Quarterly revenue by business group breaks down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods [(a)]	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations	Total
Period from January 1 to March 31, 2017	1,196	3,911	1,395	879	3,154	169	(324)	10,380
Period from April 1 to June 30, 2017	1,098	4,035 [(b)]	1,275	959	3,126	168	(297)	10,364
Period from July 1 to September 30, 2017	1,220	3,939	1,395	951	3,055	146	(325)	10,381
Period from October 1 to December 31, 2017	1,570	4,634	1,495	1,016	3,976	179	(329)	12,541
TOTAL AS OF DECEMBER 31, 2017	**5,084**	**16,519**	**5,560**	**3,805**	**13,311**	**662**	**(1,275)**	**43,666**
Period from July 1 to September 30, 2016	1,225	3,608	1,241	877	2,803	150	(272)	9,632
Period from October 1 to December 31, 2016	1,554	4,325	1,375	982	3,690	184	(306)	11,804
TOTAL AS OF DECEMBER 31, 2016	**2,779**	**7,933**	**2,616**	**1,859**	**6,493**	**334**	**(578)**	**21,436**
Period from July 1 to September 30, 2015	1,199	3,410	1,143	852	2,603	88	(249)	9,046
Period from October 1 to December 31, 2015	1,474	3,987	1,300	904	3,315	128	(251)	10,857
Period from January 1 to March 31, 2016	1,033	3,394	1,213	774	2,747	158	(278)	9,041
Period from April 1 to June 30, 2016	1,023	3,384	1,124	835	2,733	170	(245)	9,024
TOTAL AS OF JUNE 30, 2016	**4,729**	**14,175**	**4,780**	**3,365**	**11,398**	**544**	**(1,023)**	**37,968**

(a) Following the sale within the consolidated group of the Christian Dior Couture segment by Christian Dior SE to LVMH SE on July 3, 2017, information for Christian Dior Couture is included in figures for the Fashion and Leather Goods business group for fiscal year 2017 as well as prior periods.
(b) Including the entire revenue of Rimowa for the first half of 2017.

NOTE 24 – REVENUE AND EXPENSES BY NATURE

24.1. Analysis of revenue

Revenue consists of the following:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Revenue generated by brands and trade names	43,250	21,240	37,461
Royalties and license revenue	108	58	160
Income from investment property	18	5	10
Other revenue	290	133	337
TOTAL	**43,666**	**21,436**	**37,968**

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 70% of revenue for the fiscal year ended December 31, 2017 (66% of revenue for the fiscal year ended December 31,2016 and 66% of revenue for the fiscal year ended June 30, 2016), i.e. 30,512 million euros as of December 31, 2017 (14,159 million euros as of December 31, 2016 and 24,963 million euros as of June 30, 2016).

24.2. Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Advertising and promotion expenses	4,961	2,329	4,406
Lease expenses	3,920	1,875	3,672
Personnel costs	7,925	3,640	6,959
Research and development expenses	130	61	108

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2017, a total of 4,374 stores were operated by the Group worldwide (4,148 as of December 31, 2016; 4,077 as of June 30, 2016), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores entail the payment of both minimum amounts and variable amounts, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Fixed or minimum lease payments	1,926	929	1,803
Variable portion of indexed leases	846	371	721
Airport concession fees – fixed portion or minimum amount	550	295	573
Airport concession fees – variable portion	598	280	575
COMMERCIAL LEASE EXPENSES	**3,920**	**1,875**	**3,672**

Personnel costs consist of the following elements:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Salaries and social charges	7,739	3,564	6,797
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans [(a)]	113	51	113
Stock option plan and similar expenses [(b)]	73	25	49
PERSONNEL COSTS	**7,925**	**3,640**	**6,959**

(a) See Note 29.
(b) See Note 16.4.

In 2017, the average workforce as full-time equivalent broke down as follows by professional category:

(in number and as %)	Dec. 31, 2017	%	Dec. 31, 2016	%	June 30, 2016	%
Executives and managers	25,898	20	24,748	20	23,421	20
Technicians and supervisors	13,455	10	13,237	11	12,662	11
Administrative and sales employees	72,981	57	70,539	56	66,658	56
Production workers	16,303	13	15,900	13	15,425	13
TOTAL	**128,637**	**100**	**124,424**	**100**	**118,166**	**100**

24.3. Fees received by Statutory Auditors

The amount of fees paid to the Statutory Auditors of Christian Dior SE and members of their networks recorded in the consolidated income statement for the 2017 fiscal year breaks down as follows:

			Dec. 31, 2017 (12 months)
(EUR millions, excluding VAT)	ERNST & YOUNG et Autres	MAZARS	Total
Certification of the consolidated and parent company financial statements	10	6	16
Other services related to the certification assignment	NS	NS	NS
Total audit-related fees	**10**	**6**	**16**
Tax services	3	NS	3
Other	1	NS	1
Total non-audit-related fees	**4**	**NS**	**4**
TOTAL	**14**	**6**	**20**

NS: non-significant.

Services other than certifying the financial statements provided by Christian Dior SE's Statutory Auditors were not significant during the fiscal year and corresponded to (i) services other than certifying the financial statements required by applicable laws and regulations for Ernst & Young et Autres and (ii) services other than certifying the financial statements required by applicable laws and regulations, attestations, and agreed-upon procedures for Mazars.

In addition to tax services, which are mainly performed outside France to ensure that the Group's subsidiaries and expatriates meet their local tax filing obligations, non-audit-related services include various types of certifications, mainly those required by landlords concerning the revenue of certain stores, and specific checks run at the Group's request.

NOTE 25 – OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Net gains/(losses) on disposals	(15)	56	(15)
Restructuring costs	(19)	-	(68)
Transaction costs relating to the acquisition of consolidated companies	(13)	(3)	(2)
Impairment or amortization of brands, trade names, goodwill and other property	(133)	(144)	(109)
Other items, net	6	(2)	(2)
OTHER OPERATING INCOME AND EXPENSES	**(174)**	**(93)**	**(196)**

Amounts booked as impairment or amortization for the fiscal years shown here mainly relate to brands and goodwill.

As of December 31, 2016, net gains/(losses) on disposals included the gain related to the sale of Donna Karan International to G-III Apparel Group (see Note 2).

NOTE 26 – NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Borrowing costs	(126)	(67)	(127)
Income from cash, cash equivalents and current available for sale financial assets	31	14	31
Fair value adjustment of borrowings and interest rate hedges	14	(10)	(1)
Cost of net financial debt	**(81)**	**(63)**	**(97)**
Dividends received from non-current available for sale financial assets	13	4	3
Ineffective portion of foreign exchange derivatives	(127)	(199)	(279)
Net gain/(loss) related to available for sale financial assets and other financial instruments	25	(7)	43
Other items, net	(33)	(19)	(37)
Other financial income and expenses	**(122)**	**(221)**	**(270)**
NET FINANCIAL INCOME/(EXPENSE)	**(203)**	**(284)**	**(367)**

For the fiscal years ended December 31, 2017, December 31, 2016 and June 30, 2016, the net gain/(loss) related to available for sale financial assets and other financial instruments was mainly due to gains or losses arising on the sale of available for sale financial assets.

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Income from cash and cash equivalents	18	7	17
Income from current available for sale financial assets	13	7	14
INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	**31**	**14**	**31**

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Hedged financial debt	27	20	(43)
Hedging instruments	(30)	(22)	46
Unallocated derivatives	17	(8)	(4)
FAIR VALUE ADJUSTMENT OF BORROWINGS AND INTEREST RATE HEDGES	**14**	**(10)**	**(1)**

The ineffective portion of foreign exchange derivatives designated as hedging instruments breaks down as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Ineffective portion of commercial foreign exchange derivatives	(45)	(174)	(187)
Ineffective portion of foreign exchange derivatives related to net investments denominated in foreign currency	(8)	3	(14)
Ineffective portion of other foreign exchange derivatives	(74)	(28)	(78)
INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES	**(127)**	**(199)**	**(279)**

NOTE 27 – INCOME TAXES

27.1. Analysis of the income tax expense

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Current income taxes for the fiscal year	(2,923)	(1,736)	(2,334)
Current income taxes relating to previous fiscal years	599	(2)	-
Current income taxes	**(2,324)**	**(1,738)**	**(2,334)**
Change in deferred income taxes	31	169	170
Impact of changes in tax rates on deferred income taxes	50	432	99
Deferred income taxes	**81**	**601**	**269**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(2,243)**	**(1,137)**	**(2,065)**
TAX ON ITEMS RECOGNIZED IN EQUITY [(a)]	**(265)**	**100**	**(13)**

(a) Of which, -143 million euros as of December 31, 2017, corresponding to the tax on the capital gain arising from the sale of the Christian Dior Couture segment to LVMH after taking into account tax loss carryforwards. See Note 2.

In October 2017, the French Constitutional Court declared invalid the French system for taxing dividends, introduced in 2012, which required French companies to pay a tax in an amount equivalent to 3% of dividends paid. In order to finance the corresponding reimbursement, an exceptional surtax was introduced, which raised the income tax payable by French companies in respect of fiscal year 2017 by 15% or 30%, depending on the revenue threshold reached. The reimbursement received, including interest on arrears and net of the exceptional surtax, represents income in the amount of 345 million euros.

In 2017, changes in tax rates had two opposing impacts on deferred income taxes. First, the 2018 Budget Act in France continued the gradual reduction of the corporate tax rate initiated by the 2017 Budget Act, lowering the tax rate to 25.83% from 2022; long-term deferred taxes of the Group's French entities, mainly relating to acquired brands, were thus revalued based on the rate applicable from 2022. Moreover, the tax reform signed into law in the United States lowered the overall corporate income tax rate from 40% to 27% beginning in fiscal year 2018; deferred taxes of entities that are taxable in the United States were thus revalued.

During the fiscal year ended December 31, 2016, the impact of changes in tax rates on deferred taxes mainly resulted from the provisions of the 2017 Budget Act in France, which lowers the tax rate to 28.92% starting in 2020. As a result, long-term deferred taxes – essentially related to acquired brands – were revalued based on the rate applicable as of 2020.

During the 2015/2016 fiscal year, this impact resulted from the reduction in the tax rate in Italy starting in 2017, which was applied mainly to deferred taxes related to acquired brands. See Note 27.4.

27.2. Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**	**June 30, 2016**
Deferred tax assets	1,738	2,136	2,158
Deferred tax liabilities	(4,583)	(4,894)	(5,584)
NET DEFERRED TAX ASSET (LIABILITY)	**(2,845)**	**(2,758)**	**(3,426)**

27.3. Analysis of the difference between the theoretical and effective income tax rates

The effective tax rate is as follows:

(EUR millions)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Profit before tax	7,996	3,861	6,229
Total income tax expense	(2,243)	(1,137)	(2,065)
EFFECTIVE TAX RATE	**28.1%**	**29.4%**	**33.2%**

The theoretical income tax rate, defined as the rate applicable by law to the Group's French companies, including the 3.3% social contribution, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

(as % of income before tax)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates [(a)]	(0.6)	(11.2)	(1.6)
Differences in tax rates for foreign companies	(6.6)	(5.5)	(5.1)
Tax losses and tax loss carry forwards, and other changes in deferred tax	1.0	0.6	1.4
Difference between consolidated and taxable income, and income taxable at reduced rates	2.8	8.5	1.5
Tax on dividend payments applicable to French companies, net of the exceptional surtax on corporate income tax [(a)]	(4.2)	0.9	1.2
Other taxes on distribution [(b)]	1.3	1.7	1.4
EFFECTIVE TAX RATE OF THE GROUP	**28.1**	**29.4**	**33.2**

(a) See Note 27.1.
(b) Tax on distribution is mainly related to intercompany dividends.

27.4. Sources of deferred taxes

In the income statement [(a)]

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Valuation of brands	216	554	155
Other revaluation adjustments	46	54	6
Gains and losses on available for sale financial assets	6	2	1
Gains and losses on hedges of future foreign currency cash flows	(31)	40	(38)
Provisions for contingencies and losses	(74)	8	138
Intercompany margin included in inventories	(45)	(36)	12
Other consolidation adjustments	(13)	(40)	(3)
Losses carried forward	(24)	19	(2)
TOTAL	**81**	**601**	**269**

(a) Income/(Expenses).

In equity [(a)]

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Fair value adjustment of vineyard land	81	108	(22)
Gains and losses on available for sale financial assets	(57)	(4)	7
Gains and losses on hedges of future foreign currency cash flows	(77)	1	(4)
Actuarial gains and losses arising on employee benefit commitments	(22)	(6)	8
TOTAL	**(75)**	**99**	**(11)**

(a) Gains/(Losses).

In the balance sheet [(a)]

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Valuation of brands	(3,647)	(3,875)	(4,412)
Fair value adjustment of vineyard land	(565)	(650)	(758)
Other revaluation adjustments	(282)	(316)	(358)
Gains and losses on available for sale financial assets	(55)	(3)	-
Gains and losses on hedges of future foreign currency cash flows	(53)	55	31
Provisions for contingencies and losses	596	734	764
Intercompany margin included in inventories	707	774	804
Other consolidation adjustments	429	463	467
Losses carried forward	25	60	36
TOTAL	**(2,845)**	**(2,758)**	**(3,426)**

(a) Asset/(Liability).

27.5. Tax consolidation

- Tax consolidation agreements in France allow virtually all French companies of the Group to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable.

  In 2017 and 2016, LVMH and Christian Dior each had a tax consolidation group that included most of their French subsidiaries in which they had an ownership interest of more than 95%.

  The accounting estimate of the reduction in the current tax expense for the Group by virtue of these tax consolidation agreements amounted to 5 million euros for the fiscal year ended December 31, 2017 (31 million euros as of December 31, 2016 and 91 million euros as of June 30, 2016 for the Group).

- The application of other tax consolidation agreements, notably in the United States, led to a reduction in the current tax expense of 85 million euros for the fiscal year ended December 31, 2017 (49 million euros as of December 31, 2016 and 39 million euros as of June 30, 2016).

27.6. Losses carried forward

As of December 31, 2017, unused tax loss carryforwards and tax credits for which no deferred tax assets were recognized had a potential positive impact on the future tax expense estimated at 446 million euros (504 million euros as of December 31, 2016 and 475 million euros as of June 30, 2016).

NOTE 28 – EARNINGS PER SHARE

	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Net profit, Group share *(EUR millions)*	**2,240**	**1,058**	**1,569**
Impact of diluting instruments on the subsidiaries *(EUR millions)*	(6)	(4)	(6)
NET PROFIT, DILUTED GROUP SHARE *(EUR millions)*	**2,234**	**1,054**	**1,563**
Average number of shares in circulation during the fiscal year	180,507,516	180,507,516	180,507,516
Average number of Christian Dior treasury shares owned during the fiscal year	(911,435)	(1,139,836)	(1,293,909)
Average number of shares on which the calculation before dilution is based	**179,596,082**	**179,367,681**	**179,213,608**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**12.47**	**5.90**	**8.75**
Average number of shares in circulation on which the above calculation is based	179,596,082	179,367,681	179,213,608
Dilution effect of stock option and bonus share plans	497,535	605,365	680,846
Average number of shares on which the calculation after dilution is based	**180,093,616**	**179,973,046**	**179,894,454**
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**12.40**	**5.86**	**8.69**

As of December 31, 2017, all of the instruments in circulation with the potential to dilute earnings per share were taken into consideration when determining the impact of dilution.

No events occurred between December 31, 2017 and February 2, 2018, the date on which the financial statements were approved for publication, that would have significantly affected the number of shares outstanding or the potential number of shares.

NOTE 29 – PROVISIONS FOR PENSIONS, CONTRIBUTION TO MEDICAL COSTS, AND OTHER EMPLOYEE BENEFIT COMMITMENTS

29.1. Expense for the fiscal year

The expense recognized in the fiscal years presented for provisions for pensions, contribution to medical costs and other employee benefit commitments is as follows:

(EUR millions)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Service cost	110	45	101
Net interest cost	13	5	16
Actuarial gains and losses	-	1	3
Changes in plans	(10)	-	(7)
TOTAL EXPENSE FOR THE FISCAL YEAR FOR DEFINED-BENEFIT PLANS	**113**	**51**	**113**

29.2. Net recognized commitment

(EUR millions)	*Notes*	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Benefits covered by plan assets		1,490	1,524	1,464
Benefits not covered by plan assets		179	209	205
Defined-benefit obligation		**1,669**	**1,733**	**1,669**
Market value of plan assets		**(1,077)**	**(1,038)**	**(958)**
NET RECOGNIZED COMMITMENT		**592**	**695**	**711**
Of which:				
Non-current provisions	*19*	625	715	741
Current provisions	*19*	4	5	4
Other assets		(37)	(25)	(34)
TOTAL		**592**	**695**	**711**

29.3. Analysis of the change in net recognized commitment

(EUR millions)	Defined-benefit obligation	Market value of plan assets	Net recognized commitment
As of December 31, 2016	**1,733**	**(1,038)**	**695**
Service cost	110	-	110
Net interest cost	30	(17)	13
Payments to recipients	(111)	86	(25)
Contributions to plan assets	-	(110)	(110)
Contributions of employees	8	(8)	-
Changes in scope and reclassifications	6	(7)	(1)
Changes in plans	(10)	-	(10)
Actuarial gains and losses, of which:	(9)	(49)	(58)
experience adjustments [(a)]	4	(49)	(45)
changes in demographic assumptions [(a)]	(6)	-	(6)
changes in financial assumptions [(a)]	(7)	-	(7)
Translation adjustment	(88)	66	(22)
AS OF DECEMBER 31, 2017	**1,669**	**(1,077)**	**592**

(a) (Gains)/Losses.

Actuarial gains and losses resulting from experience adjustments related to the four previous fiscal years were as follows:

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)	June 30, 2014 (12 months)
Experience adjustments on the defined-benefit obligation	(1)	(11)	3	-
Experience adjustments on the market value of plan assets	(12)	(15)	(20)	(22)
ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS [(a)]	**(13)**	**(26)**	**(17)**	**(22)**

(a) (Gains)/Losses.

The actuarial assumptions applied to estimate commitments as of December 31, 2017 in the main countries where such commitments have been undertaken were as follows:

	December 31, 2017 (12 months)					December 31, 2016 (6 months)					June 30, 2016 (12 months)				
(as %)	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land
Discount rate [(a)]	1.50	3.70	2.60	0.50	0.65	1.30	3.92	2.80	0.50	0.11	1.50	3.50	3.20	0.50	0.30
Future rate of increase of salaries	2.68	1.70	3.53	2.00	1.69	2.75	4.88	4.00	2.00	1.77	2.80	4.90	3.90	2.00	1.90

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the balance sheet date in the countries concerned. Bonds with maturities comparable to those of the commitments were used.

The assumed rate of increase of medical expenses in the United States is 6.60% for 2018, after which it is assumed to decline progressively to reach 4.50% in 2037.

A rise of 0.5 points in the discount rate would result in a reduction of 102 million euros in the amount of the defined-benefit obligation as of December 31, 2017; a decrease of 0.5 points in the discount rate would result in a rise of 105 million euros.

29.4. Analysis of benefits

The breakdown of the defined-benefit obligation by type of benefit plan is as follows:

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Supplementary pensions	1,279	1,335	1,289
Retirement and other indemnities	311	316	298
Medical costs of retirees	45	53	53
Jubilee awards	25	24	24
Other	9	5	5
DEFINED-BENEFIT OBLIGATION	**1,669**	**1,733**	**1,669**

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
France	579	576	534
Europe (excluding France)	569	623	602
United States	344	347	341
Japan	125	130	135
Asia (excluding Japan)	44	50	50
Other countries	8	7	7
DEFINED-BENEFIT OBLIGATION	**1,669**	**1,733**	**1,669**

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2017 are as follows:

- in France, these commitments include the commitment to members of the Group's management bodies who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is determined on the basis of the average of their three highest amounts of annual compensation; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern pension plans, set up in the United Kingdom by certain Group companies; in Switzerland, participation by Group companies in the mandatory Swiss occupational pension plan, the LPP (Loi pour la prévoyance professionnelle); and the TFR (Trattamento di fine rapporto) in Italy, a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company;
- in the United States, the commitment relates to defined-benefit pension plans or systems for the reimbursement of medical expenses of retirees set up by certain Group companies.

29.5. Analysis of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

(as % of market value of related plan assets)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Shares	25	28	26
Bonds			
- private issues	36	34	38
- public issues	6	8	10
Cash, investment funds, real estate and other assets	33	30	26
TOTAL	**100**	**100**	**100**

These assets do not include any debt securities issued by Group companies, nor any LVMH or Christian Dior shares for significant amounts.

The Group plans to increase the related plan assets in 2018 by paying in approximately 118 million euros.

NOTE 30 – OFF-BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Grapes, wines and eaux-de-vie	1,925	1,962	2,242
Other purchase commitments for raw materials	123	87	113
Industrial and commercial fixed assets	525	785	900
Investments in joint venture shares and non-current available for sale financial assets	205	953	132

As of December 31, 2017, the maturity schedule of these commitments is as follows:

(EUR millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Grapes, wines and eaux-de-vie	660	1,226	39	1,925
Other purchase commitments for raw materials	94	28	1	123
Industrial and commercial fixed assets	441	84	-	525
Investments in joint venture shares and non-current available for sale financial assets	46	159	-	205

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and eaux-de-vie. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known prices at the balance sheet date and estimated production yields.

As of December 31, 2016, purchase commitments for shares and non-current available for sale financial assets included the amount related to the acquisition of Rimowa. See Note 2.

30.2. Lease and similar commitments

In connection with its business activities, the Group enters into agreements for the rental of premises or airport concession contracts. The Group also finances a portion of its equipment through long-term operating leases.

The fixed or minimum portions of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of December 31, 2017:

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Less than 1 year	2,172	2,261	2,136
From 1 to 5 years	5,595	5,476	5,234
More than 5 years	3,677	3,412	3,282
COMMITMENTS GIVEN FOR OPERATING LEASES AND CONCESSIONS	**11,444**	**11,149**	**10,652**
Less than 1 year	15	14	16
From 1 to 5 years	35	17	12
More than 5 years	13	6	2
COMMITMENTS RECEIVED FOR SUB-LEASES	**63**	**37**	**30**

In addition, the Group may enter into operating leases or concession contracts that have variable guaranteed amounts. For example, the concession agreement obtained by DFS at Hong Kong International Airport in June 2012 provides for the payment of a variable concession fee, which depends in particular on the number of passengers using the airport. In 2017, this fee was approximately 430 million euros.

30.3. Collateral and other guarantees

As of December 31, 2017, these commitments break down as follows:

(EUR millions)	Dec. 31, 2017	Dec. 31, 2016	June 30, 2016
Securities and deposits	379	400	410
Other guarantees	274	132	115
GUARANTEES GIVEN	**653**	**532**	**525**
GUARANTEES RECEIVED	**40**	**34**	**33**

The maturity dates of these commitments are as follows:

(EUR millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Securities and deposits	247	120	12	379
Other guarantees	52	85	137	274
GUARANTEES GIVEN	**299**	**205**	**149**	**653**
GUARANTEES RECEIVED	**13**	**18**	**9**	**40**

30.4. Other commitments

The Group is not aware of any significant off-balance sheet commitments other than those described above.

NOTE 31 – EXCEPTIONAL EVENTS AND LITIGATION

As part of its day-to-day management, the Group may be party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of selective retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the year- end, are sufficient to avoid its consolidated financial position being materially impacted in the event of an unfavorable outcome.

In September 2017, hurricanes Harvey, Irma and Maria battered the Caribbean and the southern United States, causing major damage to two of the Group's hotels in St. Barthélemy and affecting, to a lesser extent, the stores in the areas where the storms made landfall. As the losses incurred, in terms of both physical damage and the interruption of business, were covered in large part by the Group's insurance policies, the impact of these events on the consolidated financial statements for the fiscal year ended December 31, 2017 was not material.

At the end of October 2017, following the discovery of production batches not meeting its quality standards, Benefit had to order a worldwide recall of one of its lines and launched a communications campaign. As a significant portion of the costs related to this event were covered by the Group's civil liability insurance policy, the remaining financial impact on the financial statements for the fiscal year ended December 31, 2017 was not material. An investigation is underway at the company's subcontractors to identify responsibility.

To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the 12-month period under review, any significant impact on the financial position or profitability of the Group.

NOTE 32 – RELATED-PARTY TRANSACTIONS

32.1. Relations of the Christian Dior group with Groupe Arnault and the Financière Agache group

The Christian Dior group is consolidated in the accounts of Financière Agache, which is controlled by Groupe Arnault SE.

Relations of the Christian Dior group with Groupe Arnault and its subsidiaries

Groupe Arnault provides assistance to the Christian Dior group, primarily in the areas of financial engineering, strategy, development, and corporate and real estate law. Groupe Arnault also leases office premises to LVMH.

Groupe Arnault leases office space from the Christian Dior group, and the Christian Dior group also provides Groupe Arnault with various forms of administrative assistance.

Transactions between the Christian Dior group and Groupe Arnault may be summarized as follows:

(EUR millions)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
• Purchases by Christian Dior group from Groupe Arnault	(11)	(5)	(11)
Amount payable outstanding at end of period	(2)	(2)	(2)
• Sales by Christian Dior group to Groupe Arnault	5	2	3
Amount receivable outstanding at end of period	1	1	1

In February 2017, the entire share capital of a Royal Van Lent subsidiary, the owner and operator of a vessel for business use, was sold to a subsidiary of Groupe Arnault for consideration of 54 million euros. As part of this transaction, all liabilities and commitments incurred and entered into prior to the sale were assumed.

Relations of the Christian Dior group with the Financière Agache group

As of December 31, 2017, transactions between the Christian Dior group and the Financière Agache group were not significant.

32.2. Relations of the Christian Dior group with Diageo

Moët Hennessy SAS and Moët Hennessy International SAS (hereinafter referred to as "Moët Hennessy") are the holding companies for LVMH's Wines and Spirits businesses, with the exception of Château d'Yquem, Château Cheval Blanc, Domaine du Clos des Lambrays and certain Champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. When that holding was acquired in 1994, an agreement was entered into between Diageo and LVMH for the apportionment of shared holding company expenses between Moët Hennessy and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy assumed 16% of shared expenses as of December 31, 2017 (17.5% for the fiscal years ended December 31, 2016 and June 30, 2016), thus in the amount of 19 million euros as of December 31, 2017 (14 million euros for the fiscal year ended December 31, 2016 and 15 million euros for the fiscal year ended June 30, 2016).

32.3. Relations with the Fondation Louis Vuitton

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group provides financing to the Fondation Louis Vuitton as part of its corporate sponsorship activities. Its net contributions to this project are included in "Property, plant and equipment" and are depreciated from the time the museum opened (October 2014) over the remaining duration of the public property use agreement awarded by the City of Paris.

The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are part of LVMH's off-balance sheet commitments (see Note 30.3).

32.4. Executive bodies

The total compensation paid to the members of the Board of Directors in respect of their functions within the Group breaks down as follows:

(EUR millions)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Gross compensation, employers' charges and benefits in kind [(a)]	18	6	9
Post-employment benefits	8	1	2
Other long-term benefits	10	3	7
End of contract indemnities	-	-	-
Stock option and similar plans	9	2	8
TOTAL	**45**	**12**	**26**

(a) Excluding previously provisioned items of compensation.

The commitment recognized as of December 31, 2017 for post-employment benefits net of related financial assets was 20 million euros (10 million euros as of December 31, 2016 and 11 million euros as of June 30, 2016).

NOTE 33 – SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2017 and February 2, 2018, the date on which the financial statements were approved for publication by the Board of Directors.

Consolidated companies

Company	Registered office	Method of consolidation	Ownership interest
WINES AND SPIRITS			
MHCS	Épernay, France	FC	27%
Champagne Des Moutiers	Épernay, France	FC	27%
Société Viticole de Reims	Épernay, France	FC	27%
Compagnie Française du Champagne et du Luxe	Épernay, France	FC	27%
Chamfipar	Épernay, France	FC	27%
GIE MHIS	Épernay, France	FC	27%
Moët Hennessy Entreprise Adaptée	Épernay, France	FC	27%
Champagne Bernard Breuzon	Colombé-le-Sec, France	FC	27%
Champagne De Mansin	Gyé-sur-Seine, France	FC	27%
Société Civile des Crus de Champagne	Reims, France	FC	27%
Moët Hennessy Italia SpA	Milan, Italy	FC	27%
Moët Hennessy UK	London, United Kingdom	FC	27%
Moët Hennessy España	Barcelona, Spain	FC	27%
Moët Hennessy (Suisse)	Geneva, Switzerland	FC	27%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	27%
Moët Hennessy de Mexico	Mexico City, Mexico	FC	27%
Moët Hennessy Belux	Brussels, Belgium	FC	27%
Moët Hennessy Österreich	Vienna, Austria	FC	27%
Moët Hennessy Suomi	Helsinki, Finland	FC	27%
Moët Hennessy Polska	Warsaw, Poland	FC	27%
Moët Hennessy Czech Republic	Prague, Czech Republic	FC	27%
Moët Hennessy Sverige	Stockholm, Sweden	FC	27%
Moët Hennessy Norge	Sandvika, Norway	FC	27%
Moët Hennessy Danmark	Copenhagen, Denmark	FC	27%
Moët Hennessy Nederland	Baarn, Netherlands	FC	27%
Moët Hennessy USA	New York, USA	FC	27%
Moët Hennessy Turkey	Istanbul, Turkey	FC	27%
Moët Hennessy South Africa Pty Ltd	Johannesburg, South Africa	FC	27%
MH Champagnes and Wines Korea Ltd	Icheon, South Korea	FC	27%
MHD Moët Hennessy Diageo	Courbevoie, France	JV	27%
Cheval des Andes SA	Buenos Aires, Argentina	EM	14%
Domaine Chandon	California, USA	FC	27%
Cape Mentelle Vineyards	Margaret River, Australia	FC	27%
Veuve Clicquot Properties	Margaret River, Australia	FC	27%
Moët Hennessy Do Brasil – Vinhos E Destilados	São Paulo, Brazil	FC	27%
Cloudy Bay Vineyards	Blenheim, New Zealand	FC	27%
Bodegas Chandon Argentina	Buenos Aires, Argentina	FC	27%
Domaine Chandon Australia	Coldstream, Victoria, Australia	FC	27%
Newton Vineyards	California, USA	FC	25%
Domaine Chandon (Ningxia) Moët Hennessy Co.	Yinchuan, China	FC	27%
Moët Hennessy Chandon (Ningxia) Vineyards Co.	Yinchuan, China	FC	16%
SA Du Château d'Yquem	Sauternes, France	FC	40%
SC Du Château d'Yquem	Sauternes, France	FC	40%
Société Civile Cheval Blanc (SCCB)	Saint-Émilion, France	EM	21%
Colgin Cellars LLC	Saint Helena, USA	FC	25%
Moët Hennessy Shangri-La (Deqin) Winery Company	Deqin, China	FC	22%
Jas Hennessy & Co.	Cognac, France	FC	27%
Distillerie de la Groie	Cognac, France	FC	27%
SICA de Bagnolet	Cognac, France	FC	1%
Sodepa	Cognac, France	FC	27%
Diageo Moët Hennessy BV	Amsterdam, Netherlands	JV	27%
Hennessy Dublin	Dublin, Ireland	FC	27%
Edward Dillon & Co. Ltd	Dublin, Ireland	EM	11%
Hennessy Far East	Hong Kong, China	FC	27%
Moët Hennessy Diageo Hong Kong	Hong Kong, China	JV	27%
Moët Hennessy Diageo Macau	Macao, China	JV	27%
Riche Monde (China)	Hong Kong, China	JV	27%
Moët Hennessy Diageo Singapore Pte	Singapore	JV	27%
Moët Hennessy Cambodia Co.	Phnom Penh, Cambodia	FC	14%
Moët Hennessy Philippines	Makati, Philippines	FC	20%
Société du Domaine des Lambrays	Morey-Saint-Denis, France	FC	41%
Moët Hennessy Services UK	London, United Kingdom	FC	27%
Moët Hennessy Services Singapore Pte Ltd	Singapore	FC	27%
Moët Hennessy Diageo Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	JV	27%
Diageo Moët Hennessy Thailand	Bangkok, Thailand	JV	27%
Moët Hennessy Shanghai	Shanghai, China	FC	27%
Moët Hennessy India	Mumbai, India	FC	27%
Jas Hennessy Taiwan	Taipei, Taiwan	FC	27%
Moët Hennessy Diageo China Company	Shanghai, China	JV	27%
Moët Hennessy Distribution Rus	Moscow, Russia	FC	27%
Moët Hennessy Vietnam Importation Co.	Ho Chi Minh City, Vietnam	FC	27%
Moët Hennessy Vietnam Distribution Shareholding Co.	Ho Chi Minh City, Vietnam	FC	14%
Moët Hennessy Rus	Moscow, Russia	FC	27%
MHD Moët Hennessy Diageo	Tokyo, Japan	JV	27%
Moët Hennessy Asia-Pacific Pte Ltd	Singapore	FC	27%
Moët Hennessy Australia	Mascot, Australia	FC	27%
Polmos Zyrardow Sp. z o.o.	Zyrardow, Poland	FC	27%
The Glenmorangie Company	Edinburgh, United Kingdom	FC	27%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	27%
Alistair Graham Limited	Edinburgh, United Kingdom	FC	27%
Ardbeg Distillery Limited	Edinburgh, United Kingdom	FC	27%
Ardbeg Ltd	Edinburgh, United Kingdom	FC	27%
Bonding and Transport Co. Ltd	Edinburgh, United Kingdom	FC	27%
Charles Muirhead & Son Limited	Edinburgh, United Kingdom	FC	27%
Douglas Macniven & Company Ltd	Edinburgh, United Kingdom	FC	27%
Glenmorangie Distillery Co. Ltd	Edinburgh, United Kingdom	FC	27%
Glenmorangie Spring Water	Edinburgh, United Kingdom	FC	27%
James Martin & Company Ltd	Edinburgh, United Kingdom	FC	27%
Macdonald Martin Distilleries	Edinburgh, United Kingdom	FC	27%
Morangie Mineral Water Company	Edinburgh, United Kingdom	FC	27%
Morangie Springs Limited	Edinburgh, United Kingdom	FC	27%
Nicol Anderson & Co. Ltd	Edinburgh, United Kingdom	FC	27%
Tarlogie Springs Limited	Edinburgh, United Kingdom	FC	27%
Woodinville Whiskey Company LLC	Woodinville, USA	FC	27%
Volcan Azul	El Arenal, Mexico	EM	14%
FASHION AND LEATHER GOODS			
Louis Vuitton Malletier	Paris, France	FC	41%
Manufacture de Souliers Louis Vuitton	Fiesso d'Artico, Italy	FC	41%
Louis Vuitton Saint-Barthélemy	Saint-Barthélemy, French Antilles	FC	41%
Louis Vuitton Cantacilik Ticaret	Istanbul, Turkey	FC	41%
Louis Vuitton Editeur	Paris, France	FC	41%
Louis Vuitton International	Paris, France	FC	41%
Louis Vuitton India Holding & Services	Bangalore, India	FC	41%
Société des Ateliers Louis Vuitton	Paris, France	FC	41%
Manufacture des Accessoires Louis Vuitton	Fiesso d'Artico, Italy	FC	41%
Louis Vuitton Bahrain WLL	Manama, Bahrain	FC	27%
Société Louis Vuitton Services	Paris, France	FC	41%
Louis Vuitton Qatar	Doha, Qatar	FC	26%
Société des Magasins Louis Vuitton France	Paris, France	FC	41%
Belle Jardinière	Paris, France	FC	41%
La Fabrique du Temps Louis Vuitton	Meyrin, Switzerland	FC	41%
Les Ateliers Joailliers Louis Vuitton	Paris, France	FC	41%
Louis Vuitton Monaco	Monaco	FC	41%
ELV	Paris, France	FC	41%
Louis Vuitton Services Europe	Brussels, Belgium	FC	41%
Louis Vuitton UK	London, United Kingdom	FC	41%
Louis Vuitton Ireland	Dublin, Ireland	FC	41%
Louis Vuitton Deutschland	Munich, Germany	FC	41%
Louis Vuitton Ukraine	Kiev, Ukraine	FC	41%
Sociedad de Catalana Talleres Artesanos Louis Vuitton	Barcelona, Spain	FC	41%
Sociedad de Talleres de Accesorios en Cuero LV	Barcelona, Spain	FC	41%
La Fabrique de Maroquinerie Louis Vuitton	Paris, France	FC	41%
Louis Vuitton	Amsterdam, Netherlands	FC	41%
Louis Vuitton Belgium	Brussels, Belgium	FC	41%
Louis Vuitton Luxembourg	Luxembourg	FC	41%
Louis Vuitton Hellas	Athens, Greece	FC	41%
Louis Vuitton Portugal Maleiro	Lisbon, Portugal	FC	41%
Louis Vuitton Ltd	Tel Aviv, Israel	FC	41%
Louis Vuitton Danmark	Copenhagen, Denmark	FC	41%
Louis Vuitton Aktiebolag	Stockholm, Sweden	FC	41%
Louis Vuitton Suisse	Meyrin, Switzerland	FC	41%
Louis Vuitton Polska Sp. z o.o.	Warsaw, Poland	FC	41%

Company	Registered office	Method of consolidation	Ownership interest
Louis Vuitton Ceska	Prague, Czech Republic	FC	41%
Louis Vuitton Österreich	Vienna, Austria	FC	41%
Louis Vuitton Kazakhstan	Almaty, Kazakhstan	FC	41%
Louis Vuitton US Manufacturing	San Dimas, USA	FC	41%
Louis Vuitton Hawaii	New York, USA	FC	41%
Louis Vuitton Guam	Tamuning, Guam	FC	41%
Louis Vuitton Saipan Inc.	Saipan, Northern Mariana Islands	FC	41%
Louis Vuitton Norge	Oslo, Norway	FC	41%
San Dimas Luggage Company	San Dimas, USA	FC	41%
Louis Vuitton North America	New York, USA	FC	41%
Louis Vuitton USA	New York, USA	FC	41%
Louis Vuitton Liban Retail SAL	Beirut, Lebanon	FC	39%
Louis Vuitton Vietnam Company Limited	Hanoi, Vietnam	FC	41%
Louis Vuitton Suomi	Helsinki, Finland	FC	41%
Louis Vuitton Romania	Bucharest, Romania	FC	41%
LVMH Fashion Group Brasil	São Paulo, Brazil	FC	41%
Louis Vuitton Panama	Panama City, Panama	FC	41%
Louis Vuitton Mexico	Mexico City, Mexico	FC	41%
Operadora Louis Vuitton Mexico	Mexico City, Mexico	FC	41%
Louis Vuitton Uruguay	Montevideo, Uruguay	FC	41%
Louis Vuitton Chile	Santiago de Chile, Chile	FC	41%
Louis Vuitton (Aruba)	Oranjestad, Aruba	FC	41%
Louis Vuitton Republica Dominicana	Santo Domingo, Dominican Republic	FC	41%
Louis Vuitton Pacific	Hong Kong, China	FC	41%
Louis Vuitton Kuwait WLL	Kuweit City, Kuweit	FC	13%
Louis Vuitton Hong Kong Limited	Hong Kong, China	FC	41%
Louis Vuitton (Philippines) Inc.	Makati, Philippines	FC	41%
Louis Vuitton Singapore Pte Ltd	Singapore	FC	41%
LV Information & Operation Services Pte Ltd	Singapore	FC	41%
PT Louis Vuitton Indonesia	Jakarta, Indonesia	FC	41%
Louis Vuitton (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Louis Vuitton (Thailand) Société Anonyme	Bangkok, Thailand	FC	41%
Louis Vuitton Taiwan	Taipei, Taiwan	FC	41%
Louis Vuitton Australia Pty Ltd	Sydney, Australia	FC	41%
Louis Vuitton (China) Co.	Shanghai, China	FC	41%
Mon Moda Luxe LLC	Ulaanbaatar, Mongolia	FC	41%
Louis Vuitton New Zealand	Auckland, New Zealand	FC	41%
Louis Vuitton India Retail Private Limited	Gurgaon, India	FC	41%
Louis Vuitton EAU	Dubai, United Arab Emirates	FC	21%
Louis Vuitton Saudi Arabia	Jeddah, Saudi Arabia	FC	23%
Louis Vuitton Middle East	Dubai, United Arab Emirates	FC	27%
Louis Vuitton – Jordan PSC	Amman, Jordan	FC	39%
Louis Vuitton Orient	Emirate of Ras al-Khaimah, United Arab Emirates	FC	27%
Louis Vuitton Korea Ltd	Seoul, South Korea	FC	41%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	FC	41%
Louis Vuitton Hungaria	Budapest, Hungary	FC	41%
Louis Vuitton Vostok	Moscow, Russia	FC	41%
LV Colombia	Santa Fé de Bogotá, Colombia	FC	41%
Louis Vuitton Maroc	Casablanca, Morocco	FC	41%
Louis Vuitton South Africa	Johannesburg, South Africa	FC	41%
Louis Vuitton Macau Company	Macao, China	FC	41%
LVMH Fashion (Shanghai) Trading Co.	Shanghai, China	FC	41%
Louis Vuitton Japan KK	Tokyo, Japan	FC	41%
Louis Vuitton Services KK	Tokyo, Japan	FC	41%
Louis Vuitton Canada	Toronto, Canada	FC	41%
Louis Vuitton (Barbados)	Saint Michael, Barbados	FC	41%
Atepeli – Ateliers de Ponte de Lima	Calvelo, Portugal	FC	41%
Somarest	Sibiu, Romania	FC	41%
LVMH Métiers D'Art	Paris, France	FC	41%
Tanneries Roux	Romans-sur-Isère, France	FC	41%
HLI Holding Pte Ltd	Singapore	FC	41%
Heng Long International Ltd	Singapore	FC	41%
Heng Long Leather Co. (Pte) Ltd	Singapore	FC	41%
Heng Long Leather (Guangzhou) Co. Ltd	Guangzhou, China	FC	41%
HL Australia Proprietary Ltd	Sydney, Australia	FC	41%
Starke Holding	Delaware, USA	FC	41%
Cypress Creek Farms	Delaware, USA	FC	41%
The Florida Alligator Company	Delaware, USA	FC	41%
Pellefina	Starke, USA	FC	41%
Thélios SpA	Longarone, Italy	FC	21%
Thélios France	Paris, France	FC	21%
Thélios USA Inc.	Somerville, USA	FC	21%
Marc Jacobs International	Delaware, USA	FC	33%
Marc Jacobs International (UK)	London, United Kingdom	FC	33%
Marc Jacobs Trademark	Delaware, USA	FC	33%
Marc Jacobs Japan	Tokyo, Japan	FC	33%
Marc Jacobs International Italia	Milan, Italy	FC	33%
Marc Jacobs International France	Paris, France	FC	33%
Marc Jacobs Commercial and Trading (Shanghai) Co.	Shanghai, China	FC	33%
Marc Jacobs Hong Kong	Hong Kong, China	FC	33%
Marc Jacobs Holdings	Delaware, USA	FC	33%
Marc Jacobs Hong Kong Distribution Company	Hong Kong, China	FC	33%
Marc Jacobs Macau Distribution Company	Macao, China	FC	33%
Loewe	Madrid, Spain	FC	41%
Loewe Hermanos	Madrid, Spain	FC	41%
Manufacturas Loewe	Madrid, Spain	FC	41%
LVMH Fashion Group France	Paris, France	FC	41%
Loewe Hermanos UK	London, United Kingdom	FC	41%
Loewe Hong Kong	Hong Kong, China	FC	41%
Loewe Commercial and Trading (Shanghai) Co.	Shanghai, China	FC	41%
Loewe Fashion	Singapore	FC	41%
Loewe Taiwan	Taipei, Taiwan	FC	41%
Loewe Macau Company	Macao, China	FC	41%
Loewe Italy	Milan, Italy	FC	41%
Loewe Alemania	Frankfurt, Germany	FC	41%
Loewe LLC	New York, USA	FC	41%
LVMH Fashion Group Support	Paris, France	FC	41%
Berluti SA	Paris, France	FC	41%
Manifattura Berluti Srl	Ferrara, Italy	FC	41%
Berluti LLC	New York, USA	FC	41%
Berluti UK Limited (Company)	London, United Kingdom	FC	41%
Berluti Macau Company Limited	Macao, China	FC	41%
Berluti (Shanghai) Company Limited	Shanghai, China	FC	41%
Berluti Hong Kong Company Limited	Hong Kong, China	FC	41%
Berluti Deutschland GmbH	Munich, Germany	FC	41%
Berluti Singapore Private Ltd	Singapore	FC	41%
Berluti Japan KK	Tokyo, Japan	FC	41%
Berluti Orient FZ LLC	Emirate of Ras al-Khaimah, United Arab Emirates	FC	27%
Berluti EAU LLC	Dubai, United Arab Emirates	FC	27%
Berluti Taiwan Ltd	Taipei, Taiwan	FC	41%
Berluti Korea Company Limited	Seoul, South Korea	FC	27%
Berluti Australia Pty Ltd	Sydney, Australia	FC	41%
Rossimoda	Vigonza, Italy	FC	41%
Rossimoda Romania	Cluj-Napoca, Romania	FC	41%
LVMH Fashion Group Services	Paris, France	FC	41%
Montaigne	Tokyo, Japan	FC	41%
Interlux Company	Hong Kong, China	FC	41%
Rimowa GmbH	Cologne, Germany	FC	33%
Rimowa GmbH & Co Distribution KG GmbH	Cologne, Germany	FC	33%
Rimowa Electronic Tag GmbH	Hamburg, Germany	FC	33%
Rimowa CZ spol s r.o.	Pelhrimov, Czech Republic	FC	33%
Rimowa America Do Sul Malas De Viagem Ltda	São Paulo, Brazil	FC	33%
Rimowa North America Inc.	Cambridge, Canada	FC	33%
Rimowa Inc.	Delaware, USA	FC	33%
Rimowa Distribution Inc.	Delaware, USA	FC	33%
Rimowa Far East Limited	Hong Kong, China	FC	33%
Rimowa Macau Limited	Macao, China	FC	33%
Rimowa Japan Co. Ltd	Tokyo, Japan	FC	33%
Rimowa France SARL	Paris, France	FC	33%
Rimowa Italy Srl	Milan, Italy	FC	33%
Rimowa Netherlands BV	Amsterdam, Netherlands	FC	33%
Rimowa Spain S.L.U.	Madrid, Spain	FC	33%
Rimowa Great Britain Limited	London, United Kingdom	FC	33%
Rimowa Chile SpA	Santiago de Chile, Chile	FC	33%

Company	Registered office	Method of consolidation	Ownership interest
110 Vondrau Holdings Inc.	Cambridge, Canada	FC	33%
Christian Dior Couture Korea Ltd	Seoul, South Korea	FC	41%
Christian Dior KK (Kabushiki Kaisha)	Tokyo, Japan	FC	41%
Christian Dior Inc.	New York, USA	FC	41%
Christian Dior Far East Ltd	Hong Kong, China	FC	41%
Christian Dior Hong Kong Ltd	Hong Kong, China	FC	41%
Christian Dior Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Christian Dior Singapore Pte Ltd	Singapore	FC	41%
Christian Dior Australia Pty Ltd	Sydney, Australia	FC	41%
Christian Dior New Zealand Ltd	Auckland, New Zealand	FC	41%
Christian Dior Taiwan Limited	Hong Kong, China	FC	37%
Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	FC	41%
Christian Dior Saipan Ltd	Saipan, Northern Mariana Islands	FC	41%
Christian Dior Guam Ltd	Tumon Bay, Guam	FC	41%
Christian Dior Espanola SL	Madrid, Spain	FC	41%
Christian Dior Puerto Banus SL	Madrid, Spain	FC	31%
Christian Dior UK Limited	London, United Kingdom	FC	41%
Christian Dior Italia Srl	Milan, Italy	FC	41%
Christian Dior Suisse SA	Geneva, Switzerland	FC	41%
Christian Dior GmbH	Pforzheim, Germany	FC	41%
Christian Dior Fourrure M.C.S.A.M.	Monaco	FC	41%
Christian Dior do Brasil Ltda	São Paulo, Brazil	FC	41%
Christian Dior Belgique SA	Brussels, Belgium	FC	41%
Bopel Srl	Lugagnano Val d'Arda, Italy	FC	35%
Christian Dior Couture CZ s.r.o.	Prague, Czech Republic	FC	41%
Ateliers AS	Pierre-Bénite, France	EM	10%
Christian Dior Couture SA	Paris, France	FC	41%
Christian Dior Couture FZE	Dubai, United Arab Emirates	FC	41%
Christian Dior Couture Maroc SA	Casablanca, Morocco	FC	41%
Christian Dior Macau Single Shareholder Company Limited	Macao, China	FC	41%
Christian Dior S. de R.L. de C.V.	Lomas de Chapultepec, Mexico	FC	41%
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	41%
Christian Dior Commercial (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Christian Dior Trading India Private Limited	Mumbai, India	FC	21%
Christian Dior Couture Stoleshnikov LLC	Moscow, Russia	FC	41%
Ateliers Modèles SAS	Paris, France	FC	41%
CDCH SA	Luxembourg	FC	31%
CDC Abu-Dhabi LLC Couture	Abu Dhabi, United Arab Emirates	FC	31%
Dior Grèce Société Anonyme Garments Trading	Athens, Greece	FC	41%
CDC General Trading LLC	Dubai, United Arab Emirates	FC	33%
Christian Dior Istanbul Magazacilik Anonim Sirketi	Istanbul, Turkey	FC	21%
John Galliano SA	Paris, France	FC	41%
Christian Dior Couture Qatar LLC	Doha, Qatar	FC	34%
Christian Dior Couture Bahrain WLL	Manama, Bahrain	FC	35%
PT Fashion Indonesia Trading Company	Jakarta, Indonesia	FC	41%
Christian Dior Couture Ukraine SARL	Kiev, Ukraine	FC	41%
CDCG FZCO	Dubai, United Arab Emirates	FC	35%
COU.BO Srl	Arzano, Italy	FC	35%
Christian Dior Netherlands BV	Amsterdam, Netherlands	FC	41%
Christian Dior Vietnam LLC	Hanoi, Vietnam	FC	41%
Vermont SAS	Paris, France	FC	41%
Christian Dior Couture Kazakhstan LLP	Almaty, Kazakhstan	FC	41%
Christian Dior Austria GmbH	Vienna, Austria	FC	41%
Manufactures Dior Srl	Milan, Italy	FC	41%
Christian Dior Couture Azerbaijan LLC	Baku, Azerbaijan	FC	41%
Draupnir SA	Luxembourg	FC	41%
Myolnir SA	Luxembourg	FC	41%
Christian Dior Couture Luxembourg SA	Luxembourg	FC	41%
Les Ateliers Horlogers Dior SA	La Chaux-de-Fonds, Switzerland	FC	41%
Dior Montres SARL	Paris, France	FC	41%
Christian Dior Couture Canada Inc.	Ottawa, Canada	FC	41%
Christian Dior Couture Panama Inc.	Panama City, Panama	FC	41%
IDMC Manufacture SAS	Paris, France	FC	21%
GINZA SA	Luxembourg	FC	41%
GFEC. Srl	Casoria, Italy	FC	41%
CD Kuwait Fashion Accessories With Limited Liability	Kuweit City, Kuweit	FC	35%
Aurelia Solutions Srl	Milan, Italy	FC	41%
Grandville SA	Luxembourg	FC	41%
Céline SA	Paris, France	FC	41%
Avenue M International SCA	Paris, France	FC	41%
Enilec Gestion SARL	Paris, France	FC	41%
Céline Montaigne SAS	Paris, France	FC	41%
Céline Monte-Carlo SA	Monaco	FC	41%
Céline Germany GmbH	Berlin, Germany	FC	41%
Céline Production Srl	Florence, Italy	FC	41%
Céline Suisse SA	Geneva, Switzerland	FC	41%
Céline UK Ltd	London, United Kingdom	FC	41%
Céline Inc.	Delaware, USA	FC	41%
Céline (Hong Kong) Limited	Hong Kong, China	FC	41%
Céline Commercial and Trading (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Céline Boutique Taiwan Co. Ltd	Taipei, Taiwan	FC	41%
CPC Macau Company Limited	Macao, China	FC	41%
LVMH FG Services UK	London, United Kingdom	FC	41%
Céline Distribution Spain S.L.U.	Madrid, Spain	FC	41%
Céline Distribution Singapore	Singapore	FC	41%
RC Diffusion Rive Droite SARL	Paris, France	FC	41%
C EAU LLC	Dubai, United Arab Emirates	FC	21%
Céline Netherlands BV	Baarn, Netherlands	FC	41%
Céline Australia Ltd Co.	Sydney, Australia	FC	41%
Céline Sweden AB	Stockholm, Sweden	FC	41%
Céline Czech Republic s.r.o.	Prague, Czech Republic	FC	41%
Céline Middle East	Dubai, United Arab Emirates	FC	27%
Kenzo SA	Paris, France	FC	41%
Kenzo Belgique SA	Brussels, Belgium	FC	41%
Kenzo UK Limited	London, United Kingdom	FC	41%
Kenzo Italia Srl	Milan, Italy	FC	41%
Kenzo Seta Srl	Grandate, Italy	FC	21%
Kenzo Paris Japan KK	Tokyo, Japan	FC	41%
Kenzo Paris Singapore	Singapore	FC	41%
Kenzo Paris Hong Kong Company	Hong Kong, China	FC	41%
Kenzo Paris USA LLC	New York, USA	FC	41%
Givenchy SA	Paris, France	FC	41%
Givenchy Corporation	New York, USA	FC	41%
Givenchy China Co.	Hong Kong, China	FC	41%
Givenchy (Shanghai) Commercial and Trading Co.	Shanghai, China	FC	41%
GCCL Macau Co.	Macao, China	FC	41%
Givenchy Italia Srl	Florence, Italy	FC	41%
LVMH Fashion Group Japan KK	Tokyo, Japan	FC	41%
Givenchy Couture Ltd	London, United Kingdom	FC	41%
Givenchy Taiwan	Taipei, Taiwan	FC	41%
Givenchy Trading WLL	Doha, Qatar	FC	23%
Givenchy Middle-East FZ LLC	Dubai, United Arab Emirates	FC	29%
George V EAU LLC	Dubai, United Arab Emirates	FC	23%
Givenchy Paris Singapore Pte Ltd	Singapore	FC	41%
Givenchy Korea Ltd	Seoul, South Korea	FC	41%
Fendi Prague s.r.o.	Prague, Czech Republic	FC	41%
Luxury Kuwait for Ready Wear Company WLL	Kuweit City, Kuweit	FC	24%
Fendi Canada Inc.	Toronto, Canada	FC	41%
Fendi Private Suites Srl	Rome, Italy	FC	41%
Fun Fashion Qatar LLC	Doha, Qatar	FC	33%
Fendi International SAS	Paris, France	FC	41%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	FC	24%
Fendi SA	Luxembourg	FC	41%
Fun Fashion Bahrain Co. WLL	Manama, Bahrain	FC	24%
Fendi Srl	Rome, Italy	FC	41%
Fendi Dis Ticaret Ltd Sti	Istanbul, Turkey	FC	41%
Fendi Italia Srl	Rome, Italy	FC	41%
Fendi UK Ltd	London, United Kingdom	FC	41%
Fendi France SAS	Paris, France	FC	41%
Fendi North America Inc.	Delaware, USA	FC	41%
Fendi (Thailand) Company Limited	Bangkok, Thailand	FC	41%
Fendi Asia-Pacific Limited	Hong Kong, China	FC	41%
Fendi Korea Ltd	Seoul, South Korea	FC	41%
Fendi Taiwan Ltd	Taipei, Taiwan	FC	41%
Fendi Hong Kong Limited	Hong Kong, China	FC	41%
Fendi China Boutiques Limited	Hong Kong, China	FC	41%
Fendi (Singapore) Pte Ltd	Singapore	FC	41%

Company	Registered office	Method of consolidation	Ownership interest
Fendi Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Fendi Switzerland SA	Mendrisio, Switzerland	FC	41%
Fendi Kids SA	Mendrisio, Switzerland	FC	41%
Fun Fashion FZCO	Dubai, United Arab Emirates	FC	30%
Fendi Macau Company Limited	Macao, China	FC	41%
Fendi Germany GmbH	Munich, Germany	FC	41%
Fendi Austria GmbH	Vienna, Austria	FC	41%
Fendi (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Fun Fashion India Private Ltd	Mumbai, India	FC	30%
Interservices & Trading SA	Mendrisio, Switzerland	FC	41%
Fendi Silk SA	Mendrisio, Switzerland	FC	41%
Outshine Mexico S. de R.L. de C.V.	Mexico City, Mexico	FC	41%
Fendi Timepieces USA Inc.	New Jersey, USA	FC	41%
Fendi Timepieces Service Inc.	New Jersey, USA	FC	41%
Fendi Timepieces SA	Neuchâtel, Switzerland	FC	41%
Support Retail Mexico S de R.L. de C.V.	Mexico City, Mexico	FC	41%
Fendi Netherlands BV	Baarn, Netherlands	FC	41%
Fendi Brasil – Comercio de Artigos de Luxo	São Paulo, Brazil	FC	41%
Fendi RU LLC	Moscow, Russia	FC	41%
Fendi Australia Pty Ltd	Sydney, Australia	FC	41%
Fendi Doha	Doha, Qatar	FC	19%
Fendi Denmark ApS	Copenhagen, Denmark	FC	41%
Fendi Japan KK	Tokyo, Japan	FC	41%
Emilio Pucci Srl	Florence, Italy	FC	41%
Emilio Pucci International	Baarn, Netherlands	FC	28%
Emilio Pucci Ltd	New York, USA	FC	41%
Emilio Pucci Hong Kong Company Limited	Hong Kong, China	FC	41%
Emilio Pucci (Shanghai) Company Limited	Shanghai, China	FC	41%
Emilio Pucci UK Limited	London, United Kingdom	FC	41%
Emilio Pucci (Singapore) Pte Ltd	Singapore	FC	41%
Emilio Pucci France	Paris, France	FC	41%
Thomas Pink Holdings	London, United Kingdom	FC	41%
Thomas Pink	London, United Kingdom	FC	41%
Thomas Pink	Amsterdam, Netherlands	FC	41%
Thomas Pink	Delaware, USA	FC	41%
Thomas Pink Ireland	Dublin, Ireland	FC	41%
Thomas Pink France	Paris, France	FC	41%
Thomas Pink Canada	Toronto, Canada	FC	41%
Edun Apparel Ltd	Dublin, Ireland	EM	20%
Edun Americas Inc.	North Carolina, USA	EM	20%
Loro Piana	Quarona, Italy	FC	35%
Loro Piana Switzerland	Lugano, Switzerland	FC	35%
Loro Piana France	Paris, France	FC	35%
Loro Piana	Munich, Germany	FC	35%
Loro Piana GB	London, United Kingdom	FC	35%
Warren Corporation	Hartford, Connecticut, USA	FC	35%
Loro Piana & C.	New York, USA	FC	35%
Loro Piana USA	New York, USA	FC	35%
Loro Piana (HK)	Hong Kong, China	FC	35%
Loro Piana (Shanghai) Commercial Co.	Shanghai, China	FC	35%
Loro Piana (Shanghai) Textile Trading Co.	Shanghai, China	FC	35%
Loro Piana Mongolia	Ulaanbaatar, Mongolia	FC	35%
Loro Piana Korea Co.	Seoul, South Korea	FC	35%
Loro Piana (Macau)	Macao, China	FC	35%
Loro Piana Monaco	Monaco	FC	35%
Loro Piana España	Madrid, Spain	FC	35%
Loro Piana Japan Co.	Tokyo, Japan	FC	35%
Loro Piana Far East	Singapore	FC	35%
Loro Piana Peru	Lucanas, Ayacucho, Peru	FC	35%
Manifattura Loro Piana	Sillavengo, Italy	FC	35%
Fibre Nobili	Verona, Italy	FC	35%
Loro Piana Oesterreich	Vienna, Austria	FC	35%
Loro Piana Nederland	Amsterdam, Netherlands	FC	35%
Loro Piana Czech Republic	Prague, Czech Republic	FC	35%
Loro Piana Belgique	Brussels, Belgium	FC	35%
Sanin	Rawson, Argentina	FC	21%
Loro Piana Canada Inc.	Toronto, Canada	FC	35%
Cashmere Lifestyle Luxury Trading LLC	Dubai, United Arab Emirates	FC	21%
Nicholas Kirkwood Ltd	London, United Kingdom	FC	21%
Nicholas Kirkwood (USA) Corp.	New York, USA	FC	21%
NK Washington LLC	New York, USA	FC	21%
Nicholas Kirkwood LLC	New York, USA	FC	21%
NK WLV LLC	New York, USA	FC	21%

Company	Registered office	Method of consolidation	Ownership interest
JW Anderson Limited	London, United Kingdom	EM	19%
Marco de Vincenzo Srl	Rome, Italy	EM	19%

PERFUMES AND COSMETICS

Company	Registered office	Method of consolidation	Ownership interest
Parfums Christian Dior	Paris, France	FC	41%
LVMH P&C Thailand Co.	Bangkok, Thailand	FC	20%
LVMH P&C Do Brasil	São Paulo, Brazil	FC	41%
France Argentine Cosmetic	Buenos Aires, Argentina	FC	41%
LVMH P&C (Shanghai) Co.	Shanghai, China	FC	41%
Parfums Christian Dior Finland	Helsinki, Finland	FC	41%
SNC du 33 Avenue Hoche	Paris, France	FC	41%
LVMH Fragrances and Cosmetics (Singapore)	Singapore	FC	41%
Parfums Christian Dior Orient Co.	Dubai, United Arab Emirates	FC	25%
Parfums Christian Dior Emirates	Dubai, United Arab Emirates	FC	20%
LVMH Cosmetics	Tokyo, Japan	FC	41%
Parfums Christian Dior Arabia	Jeddah, Saudi Arabia	FC	19%
EPCD	Warsaw, Poland	FC	41%
EPCD CZ & SK	Prague, Czech Republic	FC	41%
EPCD RO Distribution	Bucharest, Romania	FC	41%
Parfums Christian Dior UK	London, United Kingdom	FC	41%
Parfums Christian Dior	Rotterdam, Netherlands	FC	41%
Iparkos	Amsterdam, Netherlands	FC	41%
Parfums Christian Dior S.A.B.	Brussels, Belgium	FC	41%
Parfums Christian Dior (Ireland)	Dublin, Ireland	FC	41%
Parfums Christian Dior Hellas	Athens, Greece	FC	41%
Parfums Christian Dior	Zurich, Switzerland	FC	41%
Christian Dior Perfumes	New York, USA	FC	41%
Parfums Christian Dior Canada	Montreal, Canada	FC	41%
LVMH P&C de Mexico	Mexico City, Mexico	FC	41%
Parfums Christian Dior Japon	Tokyo, Japan	FC	41%
Parfums Christian Dior (Singapore)	Singapore	FC	41%
Inalux	Luxembourg	FC	41%
LVMH P&C Asia-Pacific	Hong Kong, China	FC	41%
Fa Hua Fragance & Cosmetic Co.	Hong Kong, China	FC	41%
Fa Hua Frag. & Cosm. Taiwan	Taipei, Taiwan	FC	41%
Parfums Christian Dior China Co.	Shanghai, China	FC	41%
LVMH P&C Korea	Seoul, South Korea	FC	41%
Parfums Christian Dior Hong Kong	Hong Kong, China	FC	41%
LVMH P&C Malaysia Sdn. Bhd.	Petaling Jaya, Malaysia	FC	41%
Pardior	Mexico City, Mexico	FC	41%
Parfums Christian Dior Hong Kong	Copenhagen, Denmark	FC	41%
LVMH Perfumes & Cosmetics Group	Sydney, Australia	FC	41%
Parfums Christian Dior	Sandvika, Norway	FC	41%
Parfums Christian Dior	Stockholm, Sweden	FC	41%
LVMH Perfumes & Cosmetics (New Zealand)	Auckland, New Zealand	FC	41%
Parfums Christian Dior Austria	Vienna, Austria	FC	41%
L Beauty Luxury Asia	Taguig City, Philippines	FC	21%
SCI Annabell	Paris, France	FC	41%
PT L Beauty Brands	Jakarta, Indonesia	FC	21%
L Beauty Pte	Singapore	FC	21%
L Beauty Vietnam	Ho Chi Minh City, Vietnam	FC	21%
SCI Rose Blue	Paris, France	FC	41%
PCD St Honoré	Paris, France	FC	41%
LVMH Perfumes & Cosmetics Macau	Macao, China	FC	41%
DP Seldico	Kiev, Ukraine	FC	41%
OOO Seldico	Moscow, Russia	FC	41%
LVMH P&C Kazakhstan	Almaty, Kazakhstan	FC	41%
PCD Dubai General Trading	Dubai, United Arab Emirates	FC	12%
PCD Doha Perfumes & Cosmetics	Doha, Qatar	FC	6%
Cosmetics of France	Florida, USA	FC	41%
LVMH Recherche	Saint-Jean-de-Braye, France	FC	41%
PCIS	Levallois-Perret, France	FC	41%
Cristale	Paris, France	FC	41%
Perfumes Loewe SA	Madrid, Spain	FC	41%
Acqua di Parma	Milan, Italy	FC	41%
Acqua di Parma	New York, USA	FC	41%
Acqua di Parma	London, United Kingdom	FC	41%
Acqua di Parma Canada Inc.	Toronto, Canada	FC	41%
Cha Ling	Paris, France	FC	41%
Cha Ling Hong Kong	Hong Kong, China	FC	41%
Guerlain SA	Paris, France	FC	41%
LVMH Parfums & Kosmetik Deutschland GmbH	Düsseldorf, Germany	FC	41%
Guerlain GmbH	Vienna, Austria	FC	41%
Guerlain Benelux SA	Brussels, Belgium	FC	41%

Company	Registered office	Method of consolidation	Ownership interest
Guerlain Ltd	London, United Kingdom	FC	41%
LVMH Perfumes e Cosmética	Lisbon, Portugal	FC	41%
PC Parfums Cosmétiques SA	Zurich, Switzerland	FC	41%
Guerlain Inc.	New York, USA	FC	41%
Guerlain (Canada) Ltd	Saint-Jean, Canada	FC	41%
Guerlain de Mexico	Mexico City, Mexico	FC	41%
Guerlain Asia-Pacific	Hong Kong, China	FC	41%
Guerlain KK	Tokyo, Japan	FC	41%
Guerlain KSA SAS	Levallois-Perret, France	FC	33%
Guerlain Orient DMCC	Dubai, United Arab Emirates	FC	41%
Guerlain Saudi Limited	Jeddah, Saudi Arabia	FC	25%
Guerlain Oceania Australia Pty Ltd	Botany, Australia	FC	41%
PT Guerlain Cosmetics Indonesia	Jakarta, Indonesia	FC	21%
Make Up For Ever	Paris, France	FC	41%
SCI Edison	Paris, France	FC	41%
Make Up For Ever	Delaware, USA	FC	41%
Make Up For Ever Canada	Montreal, Canada	FC	41%
Make Up For Ever (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Make Up For Ever UK Limited	London, United Kingdom	FC	41%
LVMH Fragrance Brands	Levallois-Perret, France	FC	41%
LVMH Fragrance Brands	London, United Kingdom	FC	41%
LVMH Fragrance Brands	Düsseldorf, Germany	FC	41%
LVMH Fragrance Brands	Delaware, USA	FC	41%
LVMH Fragrance Brands Canada	Toronto, Canada	FC	41%
LVMH Fragrance Brands	Tokyo, Japan	FC	41%
LVMH Fragrance Brands WHD	Delaware, USA	FC	41%
LVMH Fragrance Brands Hong Kong	Hong Kong, China	FC	41%
LVMH Fragrance Brands Singapore	Singapore	FC	41%
Benefit Cosmetics LLC	California, USA	FC	41%
Benefit Cosmetics Ireland Ltd	Dublin, Ireland	FC	41%
Benefit Cosmetics UK Ltd	Chelmsford, United Kingdom	FC	41%
Benefit Cosmetics Services Canada Inc.	Toronto, Canada	FC	41%
Benefit Cosmetics Korea	Seoul, South Korea	FC	41%
Benefit Cosmetics SAS	Paris, France	FC	41%
Benefit Cosmetics Hong Kong Ltd	Hong Kong, China	FC	41%
L Beauty Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	21%
L Beauty (Thailand) Co. Ltd	Bangkok, Thailand	FC	20%
Fresh	New York, USA	FC	33%
Fresh	Paris, France	FC	41%
Fresh Cosmetics	London, United Kingdom	FC	33%
Fresh Hong Kong	Hong Kong, China	FC	33%
Fresh Korea	Seoul, South Korea	FC	33%
Fresh F21C Canada Inc.	Montreal, Canada	FC	33%
Kendo Holdings Inc.	California, USA	FC	41%
Ole Henriksen of Denmark Inc.	California, USA	FC	41%
SLF USA Inc.	San Francisco, USA	FC	41%
Susanne Lang Fragrance	Toronto, Canada	FC	41%
BHUS Inc.	Delaware, USA	FC	41%
KVD Beauty LLC	San Francisco, USA	FC	29%
Fenty Beauty LLC	California, USA	FC	21%
Kendo Brands Limited	Bicester, United Kingdom	FC	41%
Kendo Brands	Paris, France	FC	41%
Parfums Francis Kurkdjian SAS	Paris, France	FC	25%
Parfums Francis Kurkdjian LLC	New York, USA	FC	25%

WATCHES AND JEWELRY

Company	Registered office	Method of consolidation	Ownership interest
TAG Heuer International	Luxembourg	FC	41%
LVMH Relojeria y Joyeria España SA	Madrid, Spain	FC	41%
LVMH Montres & Joaillerie France	Paris, France	FC	41%
TAG Heuer Limited	Manchester, United Kingdom	FC	41%
Duval Ltd	Manchester, United Kingdom	FC	41%
LVMH Watch & Jewelry Central Europe	Oberursel, Germany	FC	41%
TAG Heuer Boutique Outlet Store Roermond	Roermond, Netherlands	FC	41%
LVMH Watch & Jewelry UK	Manchester, United Kingdom	FC	41%
Duvatec Limited	Manchester, United Kingdom	FC	41%
Heuer Ltd	Manchester, United Kingdom	FC	41%
LVMH Watch & Jewelry USA	Springfield, USA	FC	41%
LVMH Watch & Jewelry Canada	Richmond, Canada	FC	41%
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	FC	41%
LVMH Watch & Jewelry Singapore	Singapore	FC	41%
LVMH Watch & Jewelry Malaysia	Kuala Lumpur, Malaysia	FC	41%
LVMH Watch & Jewelry Capital	Singapore	FC	41%
LVMH Watch & Jewelry Japan	Tokyo, Japan	FC	41%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	FC	41%
LVMH Watch & Jewelry Hong Kong	Hong Kong, China	FC	41%
LVMH Watch & Jewelry Taiwan	Taipei, Taiwan	FC	41%
LVMH Watch & Jewelry India	New Delhi, India	FC	41%
LVMH Watch & Jewelry (Shanghai) Commercial Co.	Shanghai, China	FC	41%
LVMH Watch & Jewelry Russia LLC	Moscow, Russia	FC	41%
Timecrown	Manchester, United Kingdom	FC	41%
ArteCad	Tramelan, Switzerland	FC	41%
Alpha Time Corp.	Hong Kong, China	FC	41%
Dream Tech (Shanghai) Co.	Shanghai, China	FC	41%
Dream Tech Int. Trading Co.	Shanghai, China	FC	41%
Chaumet International	Paris, France	FC	41%
Chaumet London	London, United Kingdom	FC	41%
Chaumet Horlogerie	Nyon, Switzerland	FC	41%
Chaumet Korea Yuhan Hoesa	Seoul, South Korea	FC	41%
Chaumet Middle East	Dubai, United Arab Emirates	FC	25%
Chaumet UAE	Dubai, United Arab Emirates	FC	25%
Chaumet Australia Pty Ltd	Sydney, Australia	FC	41%
Chaumet Iberia SL	Madrid, Spain	FC	41%
LVMH Watch & Jewelry Macau Company	Macao, China	FC	41%
LVMH Swiss Manufactures	La Chaux-de-Fonds, Switzerland	FC	41%
Zenith Time Company	Manchester, United Kingdom	FC	41%
LVMH Watch & Jewelry Italy SpA	Milan, Italy	FC	41%
Delano	La Chaux-de-Fonds, Switzerland	FC	41%
Fred Paris	Neuilly-sur-Seine, France	FC	41%
Joaillerie de Monaco	Monaco	FC	41%
Fred	Delaware, USA	FC	41%
Fred Londres	London, United Kingdom	FC	41%
Hublot	Nyon, Switzerland	FC	41%
Bentim International	Luxembourg	FC	41%
Hublot SA Genève	Geneva, Switzerland	FC	41%
Hublot of America	Fort Lauderdale, USA	FC	41%
Nyon	Fort Lauderdale, USA	FC	41%
Nyon Services	Delaware, USA	FC	41%
Atlanta Boutique	Fort Lauderdale, USA	FC	41%
Echidna Distribution Company	Fort Lauderdale, USA	FC	41%
Furioso	Fort Lauderdale, USA	FC	41%
Fusion World Dallas	Fort Lauderdale, USA	FC	41%
Fusion World Houston	Fort Lauderdale, USA	FC	41%
New World of Fusion	Delaware, USA	FC	41%
Fusion World DD LLC	Fort Lauderdale, USA	FC	41%
Benoit de Gorsky SA	Geneva, Switzerland	FC	41%
Bvlgari SpA	Rome, Italy	FC	41%
Bvlgari Italia	Rome, Italy	FC	41%
Bvlgari International Corporation (BIC)	Amsterdam, Netherlands	FC	41%
Bvlgari Corporation of America	New York, USA	FC	41%
Bvlgari SA	Geneva, Switzerland	FC	41%
Bvlgari Horlogerie	Neuchâtel, Switzerland	FC	41%
Bvlgari France	Paris, France	FC	41%
Bvlgari Montecarlo	Monaco	FC	41%
Bvlgari (Deutschland)	Munich, Germany	FC	41%
Bvlgari España	Madrid, Spain	FC	41%
Bvlgari South Asian Operations	Singapore	FC	41%
Bvlgari (UK) Ltd	London, United Kingdom	FC	41%
Bvlgari Belgium	Brussels, Belgium	FC	41%
Bvlgari Australia	Sydney, Australia	FC	41%
Bvlgari (Malaysia)	Kuala Lumpur, Malaysia	FC	41%
Bvlgari Global Operations	Neuchâtel, Switzerland	FC	41%
Bvlgari Asia-Pacific	Hong Kong, China	FC	41%
Bvlgari (Taiwan)	Taipei, Taiwan	FC	41%
Bvlgari Korea	Seoul, South Korea	FC	41%
Bvlgari Saint Barth	Saint-Barthélemy, French Antilles	FC	41%
Bvlgari Gioielli	Valenza, Italy	FC	41%
Bvlgari Accessori	Florence, Italy	FC	41%
Bvlgari Holding (Thailand)	Bangkok, Thailand	FC	41%
Bvlgari (Thailand)	Bangkok, Thailand	FC	41%
Bvlgari Commercial (Shanghai) Co.	Shanghai, China	FC	41%
Bvlgari Japan	Tokyo, Japan	FC	41%
Bvlgari Panama	Panama City, Panama	FC	41%
Bvlgari Ireland	Dublin, Ireland	FC	41%
Bvlgari Qatar	Doha, Qatar	FC	20%

Company	Registered office	Method of consolidation	Ownership interest
Bvlgari (Kuwait)	Kuweit City, Kuweit	FC	20%
Gulf Luxury Trading	Dubai, United Arab Emirates	FC	21%
Bvlgari do Brazil	São Paulo, Brazil	FC	41%
Bvlgari Hotels and Resorts Milano Srl	Rome, Italy	EM	21%
Lux Jewels Kuwait for Trading In Gold Jewelry and Precious Stones	Kuweit City, Kuweit	FC	33%
Lux Jewels Bahrain	Manama, Bahrain	FC	33%
India Luxco Retail	New Delhi, India	FC	41%
BK for Jewelry and Precious Metals and Stones Co.	Kuweit City, Kuweit	FC	33%
Bvlgari Turkey Lüks Ürün Ticareti	Istanbul, Turkey	FC	41%
Bvlgari Russia	Moscow, Russia	FC	41%
Bvlgari Prague	Prague, Czech Republic	FC	41%
Bulgari Commercial Mexico	Mexico City, Mexico	FC	41%
Bvlgari Canada	Montreal, Canada	FC	41%
Bvlgari Portugal	Lisbon, Portugal	FC	41%
Actar International SA	Luxembourg	EM	17%

SELECTIVE RETAILING

Company	Registered office	Method of consolidation	Ownership interest
LVMH Iberia SL	Madrid, Spain	FC	41%
LVMH Italia SpA	Milan, Italy	FC	41%
Sephora SAS	Neuilly-sur-Seine, France	FC	41%
Sephora Luxembourg SARL	Luxembourg	FC	41%
Sephora Portugal Perfumaria Lda	Lisbon, Portugal	FC	41%
Sephora Polska Sp. z o.o.	Warsaw, Poland	FC	41%
Sephora Greece SA	Athens, Greece	FC	41%
Sephora Cosmetics Romania SA	Bucharest, Romania	FC	41%
Sephora Switzerland SA	Geneva, Switzerland	FC	41%
Sephora s.r.o. (Czech Republic)	Prague, Czech Republic	FC	41%
Sephora Monaco SAM	Monaco	FC	41%
Sephora Cosmeticos España	Madrid, Spain	EM	21%
S+ SAS	Neuilly-sur-Seine, France	FC	41%
Sephora Bulgaria EOOD	Sofia, Bulgaria	FC	41%
Sephora Cyprus Limited	Nicosia, Cyprus	FC	41%
Sephora Kozmetik AS (Turquie)	Istanbul, Turkey	FC	41%
Perfumes & Cosmeticos Gran Via SL	Madrid, Spain	EM	19%
Sephora Cosmetics Ltd (Serbia)	Belgrade, Serbia	FC	41%
Sephora Danmark ApS	Copenhagen, Denmark	FC	41%
Sephora Sweden AB	Stockholm, Sweden	FC	41%
Sephora Germany GmbH	Düsseldorf, Germany	FC	41%
Sephora Moyen-Orient SA	Fribourg, Switzerland	FC	25%
Sephora Middle East FZE	Dubai, United Arab Emirates	FC	25%
Sephora Qatar WLL	Doha, Qatar	FC	22%
Sephora Arabia Limited	Jeddah, Saudi Arabia	FC	19%
Sephora Holding South Asia	Singapore	FC	41%
Sephora (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	33%
Sephora (Beijing) Cosmetics Co. Ltd	Beijing, China	FC	33%
Sephora Xiangyang (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	33%
Sephora Singapore Pte Ltd	Singapore	FC	41%
Sephora (Thailand) Company (Limited)	Bangkok, Thailand	FC	41%
Sephora Australia Pty Ltd	Sydney, Australia	FC	41%
Sephora Digital SEA Pte Ltd (Singapore)	Singapore	FC	39%
Luxola Trading Pte Ltd	Singapore	FC	39%
LX Holding Pte Ltd (Singapore)	Singapore	FC	39%
LXEDIT (Thailand) Ltd	Bangkok, Thailand	FC	39%
Luxola India Services Pvt. Ltd	Bangalore, India	FC	39%
PT Luxola Services Indonesia	Jakarta, Indonesia	FC	39%
LX Services Pte Ltd	Singapore	FC	39%
PT MU and SC Trading (Indonesia)	Jakarta, Indonesia	FC	39%
Luxola Sdn. Bhd. (Malaysia)	Petaling Jaya, Malaysia	FC	39%
Sephora Services Philippines (Branch)	Manila, Philippines	FC	39%
Sephora Digital (Thailand) Ltd	Bangkok, Thailand	FC	39%
Sephora USA Inc.	Delaware, USA	FC	41%
Sephora Cosmetics Private Limited (India)	New Delhi, India	FC	41%
Sephora Beauty Canada Inc.	California, USA	FC	41%
Sephora Puerto Rico LLC	California, USA	FC	41%
Sephora Mexico S. de R.L. de C.V.	Lomas de Chapultepec, Mexico	FC	41%
Servicios Ziphorah S. de R.L. de C.V.	Mexico City, Mexico	FC	41%
Sephora Emirates LLC	Dubai, United Arab Emirates	FC	20%
Sephora Bahrain WLL	Manama, Bahrain	FC	19%
PT Sephora Indonesia	Jakarta, Indonesia	FC	41%
Dotcom Group Comércio de Presentes SA	Rio de Janeiro, Brazil	FC	41%
LGCS Inc.	New York, USA	FC	41%

Company	Registered office	Method of consolidation	Ownership interest
Avenue Hoche Varejista Limitada	São Paulo, Brazil	FC	41%
Galonta Holdings Limited	Nicosia, Cyprus	FC	41%
Joint Stock Company "Ile de Beauté"	Moscow, Russia	FC	41%
Beauty in Motion Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Le Bon Marché	Paris, France	FC	41%
SEGEP	Paris, France	FC	41%
Franck & Fils	Paris, France	FC	41%
DFS Holdings Limited	Hamilton, Bermuda	FC	25%
DFS Australia Pty Limited	Sydney, Australia	FC	25%
DFS Group Limited – USA	Delaware, USA	FC	25%
DFS Group Limited – HK	Hong Kong, China	FC	25%
TRS Hong Kong Limited	Hong Kong, China	EM	11%
DFS France SAS	Paris, France	FC	25%
DFS Okinawa KK	Okinawa, Japan	FC	25%
Travel Retails Shops Okinawa KK	Okinawa, Japan	EM	11%
JAL/DFS Co. Ltd	Chiba, Japan	EM	10%
DFS Korea Limited	Seoul, South Korea	FC	25%
DFS Seoul Limited	Incheon, South Korea	FC	25%
DFS Cotai Limitada	Macao, China	FC	25%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	25%
DFS Middle East LLC	Abu Dhabi, United Arab Emirates	FC	25%
DFS Merchandising Limited	Delaware, USA	FC	25%
DFS New Zealand Limited	Auckland, New Zealand	FC	25%
TRS New Zealand Limited	Auckland, New Zealand	EM	11%
Commonwealth Investment Company Inc.	Saipan, Northern Mariana Islands	FC	24%
DFS Saipan Limited	Saipan, Northern Mariana Islands	FC	25%
Kinkai Saipan LP	Saipan, Northern Mariana Islands	FC	25%
DFS Business Consulting (Shanghai) Co. Ltd	Shanghai, China	FC	25%
DFS Retail (Hainan) Company Limited	Haikou, China	FC	25%
DFS Singapore (Pte) Limited	Singapore	FC	25%
DFS Venture Singapore (Pte) Limited	Singapore	FC	25%
TRS Singapore Pte Ltd	Singapore	EM	11%
DFS Vietnam (S) Pte Ltd	Singapore	FC	18%
New Asia Wave International (S) Pte Ltd	Singapore	FC	18%
Ipp Group (S) Pte Ltd	Singapore	FC	18%
DFS Group LP	Delaware, USA	FC	25%
LAX Duty Free Joint Venture 2000	California, USA	FC	19%
Royal Hawaiian Insurance Company Co.	Hawaii, USA	FC	25%
JFK Terminal 4 Joint Venture 2001	New York, USA	FC	20%
DFS Guam LP	Tamuning, Guam	FC	25%
DFS Liquor Retailing Limited	Delaware, USA	FC	25%
Twenty Seven – Twenty Eight Corp.	Delaware, USA	FC	25%
DFS Italia	Milan, Italy	FC	25%
DFS (Cambodia) Limited	Phnom Penh, Cambodia	FC	18%
TRS Hawaii LLC	Hawaii, USA	EM	11%
TRS Saipan Ltd	Saipan, Northern Mariana Islands	EM	11%
TRS Guam LLC	Tamuning, Guam	EM	11%
Tumon Entertainment	Tamuning, Guam	FC	41%
Comete Guam	Tamuning, Guam	FC	41%
Tumon Aquarium LLC	Tamuning, Guam	FC	40%
Comete Saipan	Saipan, Northern Mariana Islands	FC	41%
Tumon Games LLC	Tamuning, Guam	FC	41%
DFS Vietnam Limited Liability Company	Ho Chi Minh City, Vietnam	FC	25%
PT Sona Topas Tourism Industry Tbk	Jakarta, Indonesia	EM	11%
Cruise Line Holdings Co.	Miami, USA	FC	41%
Starboard Cruise Services	Delaware, USA	FC	41%
Starboard Holdings	Miami, USA	FC	41%
STB Servici Tecnici Per Bordo	Florence, Italy	FC	41%
On-Board Media Inc.	Doral, USA	FC	41%
Parazul LLC	Miami, USA	FC	41%
Onboard.com LLC	Doral, USA	FC	41%
Rhapsody	Paris, France	FC	41%

OTHER ACTIVITIES

Company	Registered office	Method of consolidation	Ownership interest
Groupe Les Echos	Paris, France	FC	41%
Dematis	Paris, France	FC	33%
Les Echos Management	Paris, France	FC	41%
Régiepress	Paris, France	FC	41%
Les Echos Légal	Paris, France	FC	41%
Radio Classique	Paris, France	FC	41%

Company	Registered office	Method of consolidation	Ownership interest
Les Echos Medias	Paris, France	FC	41%
SFPA	Paris, France	FC	41%
Les Echos	Paris, France	FC	41%
Investir Publications	Paris, France	FC	41%
Les Echos Solutions	Paris, France	FC	41%
Les Echos Publishing	Paris, France	FC	41%
Pelham Media	London, United Kingdom	FC	24%
WordAppeal	Paris, France	FC	24%
Pelham Media	Paris, France	FC	24%
L'Eclaireur	Paris, France	FC	24%
KCO Events	Paris, France	FC	24%
Pelham Media Production	Paris, France	FC	24%
Alto International	Paris, France	FC	15%
Happeningco	Paris, France	FC	31%
Magasins de La Samaritaine	Paris, France	FC	41%
Mongoual SA	Paris, France	EM	17%
Le Jardin d'Acclimatation	Paris, France	FC	33%
RVL Holding BV	Kaag, Netherlands	FC	41%
Royal Van Lent Shipyard BV	Kaag, Netherlands	FC	41%
Tower Holding BV	Kaag, Netherlands	FC	41%
Green Bell BV	Kaag, Netherlands	FC	41%
Gebr. Olie Beheer BV	Waddinxveen, Netherlands	FC	41%
Van der Loo Yachtinteriors BV	Waddinxveen, Netherlands	FC	41%
Red Bell BV	Kaag, Netherlands	FC	41%
De Voogt Naval Architects BV	Haarlem, Netherlands	EM	19%
Feadship Holland BV	Amsterdam, Netherlands	EM	19%
Feadship America Inc.	Florida, USA	EM	19%
OGMNL BV	Nieuw-Lekkerland, Netherlands	EM	19%
Firstship BV	Netherlands	EM	19%
Probinvest	Paris, France	FC	41%
Ufipar	Paris, France	FC	41%
Sofidiv	Paris, France	FC	41%
LVMH Services	Paris, France	FC	35%
Moët Hennessy	Paris, France	FC	27%
LVMH Services Limited	London, United Kingdom	FC	41%
Ufip (Ireland)	Dublin, Ireland	FC	41%
Moët Hennessy Investissements	Paris, France	FC	27%
LV Group	Paris, France	FC	41%
Moët Hennessy International	Paris, France	FC	27%
Creare	Luxembourg	FC	41%
Creare Pte Ltd	Singapore	FC	41%
Bayard (Shanghai) Investment and Consultancy Co. Ltd	Shanghai, China	FC	41%
Villa Foscarini Srl	Milan, Italy	FC	41%
Liszt Invest	Luxembourg	FC	41%
Gorgias	Luxembourg	FC	41%
LC Investissements	Paris, France	FC	21%
LVMH Investissements	Paris, France	FC	41%
LVMH Canada	Toronto, Canada	FC	41%
Société Montaigne Jean Goujon	Paris, France	FC	41%
Delphine	Paris, France	FC	41%
LVMH Finance	Paris, France	FC	41%
Primae	Paris, France	FC	41%
Eutrope	Paris, France	FC	41%
Flavius Investissements	Paris, France	FC	41%
LBD Holding	Paris, France	FC	41%
LVMH Hotel Management	Paris, France	FC	41%
Ufinvest	Paris, France	FC	41%
Delta	Paris, France	FC	41%
White 1921 Courchevel Société d'Exploitation Hôtelière	Courchevel, France	FC	41%
Société Immobilière Paris Savoie Les Tovets	Courchevel, France	FC	41%
EUPALINOS 1850	Paris, France	FC	41%
Société d'Exploitation Hôtelière de La Samaritaine	Paris, France	FC	41%
Société d'Exploitation Hôtelière Isle de France	Saint-Barthélemy, French Antilles	FC	23%
Société d'Investissement Cheval Blanc Saint Barth Isle de France	Saint-Barthélemy, French Antilles	FC	23%
Hôtel de la Pinède	Saint-Tropez, France	FC	41%
Villa Jacquemone	Saint-Tropez, France	FC	41%
Moët Hennessy Inc.	Delaware, USA	FC	27%
One East 57th Street LLC	Delaware, USA	FC	41%
LVMH Moët Hennessy-Louis Vuitton Inc.	Delaware, USA	FC	41%
Folio St. Barths	New York, USA	FC	41%
Lafayette Art I LLC	New York, USA	FC	41%
LVMH Holdings Inc.	New York, USA	FC	41%
Sofidiv Art Trading Company	Delaware, USA	FC	41%
Sofidiv Inc.	Delaware, USA	FC	41%
598 Madison Leasing Corp.	Delaware, USA	FC	41%
1896 Corp.	Delaware, USA	FC	41%
313-317 N. Rodeo LLC	Los Angeles, USA	FC	41%
319-323 N. Rodeo LLC	Delaware, USA	FC	41%
420 N. Rodeo LLC	Los Angeles, USA	FC	41%
LVMH MJ Holdings Inc.	Delaware, USA	FC	41%
LVMH Perfumes & Cosmetics Inc.	New York, USA	FC	41%
Arbelos Insurance Inc.	New York, USA	FC	41%
Meadowland Florida LLC	New York, USA	FC	41%
P&C International	Paris, France	FC	41%
LVMH Participations BV	Baarn, Netherlands	FC	41%
LVMH Moët Hennessy-Louis Vuitton BV	Baarn, Netherlands	FC	41%
LVP Holding BV	Baarn, Netherlands	FC	41%
LVMH Services BV	Baarn, Netherlands	FC	41%
LVMH Finance Belgique	Brussels, Belgium	FC	41%
LVMH International	Brussels, Belgium	FC	41%
Marithé	Luxembourg	FC	41%
LVMH EU	Luxembourg	FC	41%
Ufilug	Luxembourg	FC	41%
Glacea	Luxembourg	FC	41%
Naxara	Luxembourg	FC	41%
Pronos	Luxembourg	FC	41%
Sofidil	Luxembourg	FC	41%
LVMH Publica	Brussels, Belgium	FC	41%
LVMH Germany GmbH	Cologne, Germany	FC	41%
Sofidiv UK Limited	London, United Kingdom	FC	41%
LVMH Moët Hennessy-Louis Vuitton	Tokyo, Japan	FC	41%
Osaka Fudosan Company	Tokyo, Japan	FC	41%
LVMH Asia-Pacific	Hong Kong, China	FC	41%
LVMH (Shanghai) Management & Consultancy Co. Ltd	Shanghai, China	FC	41%
LVMH South & South East Asia Pte Ltd	Singapore	FC	41%
LVMH Korea Ltd	Seoul, South Korea	FC	41%
Vicuna Holding	Milan, Italy	FC	41%
Pasticceria Confetteria Cova	Milan, Italy	FC	33%
Cova Montenapoleone	Milan, Italy	FC	33%
Investissement Hôtelier Saint Barth Plage des Flamands	Saint-Barthélemy, French Antilles	FC	23%
Alderande	Paris, France	FC	23%
LVMH Client Services	Paris, France	FC	41%
Le Parisien Libéré	Paris, France	FC	41%
Team Diffusion	Saint-Ouen, France	FC	41%
Team Media	Paris, France	FC	41%
Société Nouvelle SICAVIC	Paris, France	FC	41%
L.P.M.	Paris, France	FC	41%
Proximy	Saint-Ouen, France	FC	31%
Media Presse	Saint-Ouen, France	FC	31%
LP Management	Paris, France	FC	41%
Wagner Capital	Luxembourg	FC	21%
L Catterton Management Ltd	London, United Kingdom	EM	8%
LVMH Representações Ltda	São Paulo, Brazil	FC	41%
LVMH Moët Hennessy-Louis Vuitton	Paris, France	FC	41%
Financière Jean Goujon SAS	Paris, France	FC	100%
Sadifa SA	Paris, France	FC	100%
Lakenblaker BV	Baarn, Netherlands	FC	100%
Christian Dior SE	Paris, France	Parent company	

FC: Company consolidated under the full consolidation method
EM: Company consolidated under the equity method
JV: Joint venture company with Diageo: only the Moët Hennessy activity is consolidated. See also Notes 1.6 and 1.25 for the recognition policy for these companies.

Companies not included in the scope of consolidation

Company	Registered office	Ownership interest
CD Investissements	Paris, France	100%
FJG Patrimoine	Paris, France	100%
Société d'exploitation hôtelière de Saint-Tropez	Paris, France	41%
Société Nouvelle de Libraire et de l'Edition	Paris, France	41%
Ictinos 1850	Paris, France	41%
BRN Invest NV	Baarn, Netherlands	41%
Toiltech	La Chapelle-devant-Bruyères, France	37%
Bvlgari Austria Ltd	Vienna, Austria	41%
Montaigne Comercio Varejista Limitada	Rio de Janeiro, Brazil	41%
Sephora Macau Limited	Macao, China	41%
JP SAS	Paris, France	29%
Les Beaux Monts	Couternon, France	37%
Sofpar 116	Paris, France	41%
Sofpar 124	Paris, France	41%
Sofpar 125	Paris, France	41%
Sofpar 126	Paris, France	41%
Sofpar 127	Paris, France	41%
Sofpar 128	Paris, France	41%
Moët Hennessy Management	Paris, France	41%
Prolepsis	Brussels, Belgium	41%
Prolepsis Investment Ltd	London, United Kingdom	41%
Hennessy Management	Paris, France	27%
MHCS Management	Paris, France	27%
Innovacion en Marcas de Prestigio SA	Mexico City, Mexico	27%
Moët Hennessy Nigeria	Lagos, Nigeria	27%
MS 33 Expansion	Paris, France	41%
Shinsegae International Co. Ltd LLC	Seoul, South Korea	21%
Crystal Pumpkin	Luxembourg	41%
Rimowa Austria GmbH	Innsbruck, Austria	33%
Rimowa Schweiz AG	Zurich, Switzerland	33%
Loewe Nederland BV	Netherlands	41%
Groupement Forestier des Bois de la Celle	Cognac, France	27%

These companies are not included in the scope of consolidation due to their inactivity or low level of activity; the consolidation of these companies, individually or collectively, would not have a significant impact on the Group's main aggregates.

7. Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of Christian Dior SE,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Christian Dior SE for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

II. Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of our report entitled "Statutory Auditors' responsibilities for the audit of the consolidated financial statements".

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for Statutory Auditors.

III. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of fixed assets, in particular intangible assets

Risk identified

As at December 31, 2017 the Group's fixed assets amounts to 42 billion euros, compared to a total of assets in the balance sheet amounting to 73 billion euros. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions, as well as, to a lesser extent, property, plant and equipment, mainly composed of land, vineyard land, buildings and store fixtures and fittings.

We considered the valuation of these fixed assets to be a key audit matter, due to their significance in the Group's financial statements, and because the determination of their recoverable amount, which is usually based on discounted forecast cash flows, requires the use of hypothesis, estimates and other forms of judgment, as stated in Note 1.5 to the consolidated financial statements.

Our response

The Group tests these assets for impairment, as described in Notes 1.14 and 5 to the consolidated financial statements.

Within this context, we assessed the methods used to perform these impairment tests and focused our work primarily on Group companies for which the carrying amount of intangible assets represents a high multiple of profit from recurring operations. In particular, among the most significant intangible assets recognized by the Group disclosed in Note 5 to the consolidated financial statements, we paid special attention to recent acquisitions.

We assessed the reasonableness of the main estimates used, in particular forecast cash flows, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance, the market outlook and the Group's historic performance, and we conducted impairment test sensitivity analyses. In addition, where the recoverable amount is estimated by comparison with recent similar transactions, we corroborated the analyses provided with available market data. All of these analyses were carried out with the support of our valuation experts.

Lastly, we assessed the appropriateness of the information disclosed in the Notes to the consolidated financial statements.

Valuation of inventories and work in progress

Risk identified

The success of the Group's products, particularly in the Fashion and Leather Goods and the Watches and Jewelry business groups, depends among other factors on its ability to identify new trends and changes in behaviors and tastes, in order to offer products that meet consumers' expectations. The Group determines the amounts of the provisions for inventory impairment on the basis of sales prospects in its various markets or due to product obsolescence, as specified in Note 1.16 to the consolidated financial statements.

We considered this to be a key audit matter, as the aforementioned projections and any resulting provisions are intrinsically dependent on hypothesis, estimates or other forms of judgment made by the Group. Furthermore, inventories are present in a large number of subsidiaries and determining these provisions depends primarily on estimated returns and the monitoring of internal margins, which are eliminated in the consolidated financial statements unless and until inventories are sold to non-Group clients.

Our response

As part of our procedures, we analyzed sales prospects as estimated by the Group in the light of past performances and the most recent budgets in order to corroborate the resulting amounts of impairment. Where applicable, we assessed the assumptions made by the Group for the recognition of specific provisions. We also evaluated the consistency of internal margins eliminated in the consolidated financial statements, by assessing in particular the margins generated with the various distribution subsidiaries and checking that the elimination percentage applied is consistent.

Provisions for contingencies and losses

Risk identified

The Group's activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, the Group's activities may lead to risks, disputes or litigation, and the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations.

In particular, as stated in Note 19 to the consolidated financial statements, these rectification claims, together with any uncertain tax positions that have been identified but not yet officially verified, give rise to appropriate provisions, the amount of which is established in accordance with the criteria of IAS 37 Provisions and IAS 12 Income Taxes.

Lastly, as stated in Note 27.1 to the consolidated financial statements, the recent changes to French tax rules and the United States tax reform have significant consequences on the current and deferred tax positions.

We considered this to be a key audit matter due to the significance of the amounts at stake and the level of judgment required to monitor the current regulatory changes, in particular with regard to French and the United States tax rules, and to evaluate these provisions within a constantly evolving international regulatory context.

Our response

Within the context of our audit of the consolidated financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Group in order to identify and evaluate all risks;
- obtaining an understanding of the risk analysis performed by the Group and the corresponding documentation and, where applicable, reviewing written confirmations received from external advisors;
- assessing with the support of our experts, in particular tax specialists, the main risks identified and assessing the reasonableness of the assumptions made by management to estimate the amount of the provisions;
- assessing the relevance of the analyses relating to the use of the provisions for contingencies and losses prepared by the Group;
- assessing with the support of our tax experts the evaluations prepared by the Group's Tax Department relating to the consequences of the tax reforms in France and the United States;
- assessing the appropriateness of the information relating to these risks disclosed in the Notes to the consolidated financial statements.

IV. Verification of the information pertaining to the Group presented in the Management Report

As required by law we also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

V. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

Our appointment as Statutory Auditors of Christian Dior SE was renewed by your Shareholders' Meeting held on December 19, 2013.

As of December 31, 2017, Mazars was in the seventeenth consecutive fiscal year of their engagement and Ernst & Young et Autres was in the eleventh fiscal year, it being specified that Ernst & Young Audit was previously Statutory Auditor.

VI. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, any matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

VII. Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance as to whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions of users that are taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our Statutory Audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified or adverse audit opinion;
- assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these financial statements.

Report to the Performance Audit Committee

We have submitted a report to the Performance Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for Statutory Auditors. Where appropriate, we discuss with the Performance Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris- La Défense and Courbevoie, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Jeanne Boillet

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Parent company financial statements: Christian Dior

1. Balance sheet

Assets

(EUR thousands)	Notes	December 31, 2017 (12 months) Gross	Depreciation, amortization and impairment	Net	Dec. 31, 2016 (6 months) Net	June 30, 2016 (12 months) Net
Intangible assets	2.1/2.2	**34**	**(14)**	**20**	**24**	**25**
Property, plant and equipment	2.1/2.2	**284**	**(284)**	**-**	**-**	**-**
Equity investments		3,481,441	-	3,481,441	4,118,725	3,983,725
Other long-term investments		-	-	-	-	-
Loans		5	-	5	5	5
Other non-current financial assets		3	-	3	-	-
Non-current financial assets	2.1/2.2	**3,481,449**	**-**	**3,481,449**	**4,118,730**	**3,983,730**
NON-CURRENT ASSETS		**3,481,767**	**(298)**	**3,481,469**	**4,118,754**	**3,983,755**
Trade accounts receivable		-	-	-	-	-
Financial accounts receivable		-	-	-	-	-
Other receivables	2.3	5,003	-	5,003	406	13,653
Short-term investments	2.4	2,214,529	(1,288)	2,213,241	104,233	108,640
Cash and cash equivalents		3,900,061	-	3,900,061	158	1,162
CURRENT ASSETS	2.9	**6,119,593**	**(1,288)**	**6,118,305**	**104,797**	**123,455**
Prepaid expenses	2.3	177	-	177	171	416
Bond redemption premiums	2.3	911	-	911	1,439	1,706
TOTAL ASSETS		**9,602,448**	**(1,586)**	**9,600,862**	**4,225,161**	**4,109,332**

Liabilities and equity

(EUR thousands)	*Notes*	Dec. 31, 2017 (12 months) Before appropriation	Dec. 31, 2016 (6 months) Before appropriation	June 30, 2016 (12 months) Before appropriation
Share capital		361,015	361,015	361,015
Share premium account		194,241	194,241	194,241
Revaluation reserves		16	16	16
Legal reserve		36,101	36,101	36,101
Regulated reserves		-	-	-
Optional reserves		244	244	244
Retained earnings [(a)]		2,141,774	2,123,163	2,095,362
Net profit		**6,163,690**	**270,124**	**664,601**
Interim dividends	*1.6*	(288,812)	-	(243,685)
EQUITY	*2.5*	**8,608,269**	**2,984,904**	**3,107,895**
PROVISIONS FOR CONTINGENCIES AND LOSSES	*2.6*	**42,426**	**33,906**	**34,718**
Bonds	*2.8*	855,065	855,065	850,276
Bank loans and borrowings		1,560	334,428	95,051
Borrowings		**856,625**	**1,189,493**	**945,327**
Trade accounts payable		1,332	4,768	4,340
Tax and social security liabilities		90,839	5,304	108
Liabilities associated with non-current assets and related accounts		-	5,000	-
Other operating liabilities [(a)]		1,219	47	1,645
Operating liabilities		**93,390**	**15,119**	**6,093**
Other liabilities		152	1,739	15,299
LIABILITIES	*2.7/2.8/2.9*	**950,167**	**1,206,351**	**966,719**
TOTAL LIABILITIES AND EQUITY		**9,600,862**	**4,225,161**	**4,109,332**

(a) Dividends attributable to treasury shares were reclassified under retained earnings as of June 30, 2016; December 31, 2016; and December 31, 2017.

2. Income statement

(EUR thousands)	*Notes*	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Services provided		-	-	-
Net revenue		**-**	**-**	**-**
Reversals of provisions, depreciation, amortization and impairment		-	-	-
Other income and expense transfers		9,614	4,576	9,351
Operating income		**9,614**	**4,576**	**9,351**
Other purchases and external expenses		11,058	3,533	9,345
Taxes, duties and similar levies		308	153	313
Wages and salaries		9,614	4,576	9,351
Social security expenses		35	14	26
Depreciation, amortization and impairment		3	2	3
Provisions for contingencies and losses		11,413	3,706	7,413
Other expenses		173	68	132
Operating expenses		**32,604**	**12,052**	**26,583**
OPERATING PROFIT/(LOSS)		**(22,990)**	**(7,476)**	**(17,232)**
NET FINANCIAL INCOME/(EXPENSE)	*2.10*	**850,588**	**292,853**	**683,714**
RECURRING PROFIT		**827,598**	**285,377**	**666,482**
NET EXCEPTIONAL INCOME/(EXPENSE)	*2.11*	**5,363,682**	**(9,101)**	**(2,885)**
Income taxes	*2.12/2.13*	(27,590)	(6,152)	1,004
NET PROFIT		**6,163,690**	**270,124**	**664,601**

3. Cash flow statement

(EUR millions)		Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
I – OPERATING ACTIVITIES				
Net profit		6,164	270	665
Net depreciation, amortization, impairment and provisions		9	(1)	15
Dividends in kind received		-	-	-
Gain/(loss) on sale of fixed assets		(5,363)	-	-
Net cash from operations before changes in working capital		**810**	**269**	**680**
Change in current assets		(5)	14	38
Change in current liabilities		76	(3)	(8)
Change in working capital		**71**	**11**	**30**
Net cash from operating activities	**I**	**881**	**280**	**710**
II – INVESTING ACTIVITIES				
Purchase of tangible and intangible fixed assets		-	-	-
Purchase of equity investments		-	(135)	(2)
Purchase of other long-term investments		-	-	-
Proceeds from sale of non-current financial assets		6,000	-	-
Net cash from/(used in) investing activities	**II**	**6,000**	**(135)**	**(2)**
IV – FINANCING ACTIVITIES				
Capital increase		-	-	-
Proceeds from financial debt			245	412
Repayments in respect of financial debt		(333)	(1)	(486)
Change in current accounts		-	-	(50)
Net cash from/(used in) financing activities	**III**	**(333)**	**244**	**(124)**
IV – DIVIDENDS PAID DURING THE FISCAL YEAR	**IV**	**(539)**	**(395)**	**(591)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**I + II + III + IV**	**6,009**	**(6)**	**(7)**
Cash and cash equivalents at beginning of fiscal year		**104**	**110**	**117**
Cash and cash equivalents at end of fiscal year		**6,113**	**104**	**110**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,009**	**(6)**	**(7)**

The cash flow statement analyzes the changes in cash from one fiscal year to the next (after deducting bank overdrafts) as well as cash equivalents comprised of short-term investments, net of any impairment.

4. Notes to the parent company financial statements

Amounts are expressed in thousands of euros unless otherwise indicated.

The balance sheet total as of December 31, 2017 was 9,600,862 thousand euros. These financial statements were approved by the Board of Directors on February 2, 2018.

KEY EVENT DURING THE FISCAL YEAR

On July 3, 2017, as part of the simplification the Group's structure and pursuant to the terms of the memorandum of understanding signed with LVMH on April 24, 2017, Christian Dior SE sold 100% of its Christian Dior Couture segment (including Grandville and its subsidiary Christian Dior Couture) to LVMH for a net amount of 6 billion euros, based on an enterprise value of 6.5 billion euros.

The purchase price was paid on July 26, 2017.

NOTE 1 – ACCOUNTING POLICIES AND METHODS

The parent company financial statements have been prepared in accordance with Regulation 2014-03 dated June 5, 2014 of the Autorité des Normes Comptables, France's accounting standards authority.

General accounting conventions have been applied observing the principle of prudence in conformity with the basic assumptions of going concern, consistency of accounting methods, and accrual basis, and in conformity with the general rules for the preparation and presentation of parent company financial statements.

The accounting items recorded have been evaluated using the historical cost method.

1.1. Intangible assets

Software is amortized using the straight-line method over one year.

1.2. Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- furniture: 10 years.

1.3. Non-current financial assets

Equity investments and other long-term investments are recorded at the lower of their acquisition cost or their value in use. Impairment is recorded if their value in use is lower than their acquisition cost.

The value in use of equity investments is based on criteria such as the value of the portion of the net asset value of the companies involved, taking into account the stock market value of the listed securities that they hold.

Gains or losses on partial sales of equity investments are recognized in net financial income/expense and calculated according to the weighted average cost method.

Christian Dior shares purchased for retirement are recorded under Non-current financial assets and are not impaired.

1.4. Accounts receivable and liabilities

Accounts receivable and liabilities are recorded at their face value. Impairment is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

1.5. Short-term investments

Short-term investments are valued at their acquisition cost. Impairment is recorded if their acquisition cost is higher than their market value determined as follows:

- listed securities: average listed share price during the last month of the fiscal year;
- other securities: estimated realizable value or liquidation value.

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

With respect to Christian Dior treasury shares allocated to share purchase option plans:

- if the plan is deemed non-exercisable (market value of the Christian Dior share lower than the exercise price of the option), the calculation of the impairment, charged to net financial income/expense, is made in relation to the weighted average price of the plan in question;
- if the plan is deemed exercisable (market value of the Christian Dior share greater than the exercise price of the option), a provision for losses is recognized on the liability side of the balance sheet whenever the expected exercise price is lower than the purchase price of the shares. Where applicable, this provision is apportioned using the straight-line method over the period over which the options are granted and is then recognized in the income statement under the heading "Wages and salaries".

With respect to Christian Dior treasury shares allocated to bonus share and performance share plans:

- they are not subject to impairment;
- their expense (portfolio value of shares allocated to these plans) is allocated on a straight-line basis over the vesting periods for the plans. It is recognized in the income statement under the heading "Wages and salaries", offset by a provision for losses recorded in the balance sheet.

Upon disposals of treasury shares, the cost of the shares sold is calculated for each plan individually based on the FIFO method. Gains or losses on the sale of treasury shares are recorded within exceptional income/expense, and under the heading "Wages and salaries" by way of the "Expense transfer" account.

1.6. Equity

In accordance with the recommendations of the Compagnie nationale des Commissaires aux comptes (France's national board of auditors), interim dividends are recorded as a deduction from equity.

1.7. Provisions for contingencies and losses

The Company establishes a provision for definite and likely contingencies and losses at the end of each fiscal year, observing the principle of prudence.

1.8. Foreign currency transactions

During the fiscal year, foreign currency transactions are recorded at the rates of exchange in euros prevailing on the transaction dates.

Liabilities, accounts receivable and liquid funds in foreign currencies are revalued on the balance sheet at fiscal year-end exchange rates. The difference resulting from the revaluation of liabilities and accounts receivable in foreign currencies at the latter rate is recorded in the "Translation adjustment"; it is recorded under "Foreign exchange gains and losses" when it originates from the revaluation of liquid funds, except in the case of bank accounts matched with a loan in the same currency. In the latter case, the revaluation follows the same procedure as for accounts receivable and liabilities.

Provisions are recorded for unrealized foreign exchange losses unless hedged.

1.9. Net financial income/(expense)

Net gains and losses on sales of short-term investments (excluding sales of treasury shares) comprise expenses and income associated with sales.

NOTE 2 – ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

2.1. Non-current assets

(EUR thousands)	Gross value as of January 1, 2017	Increases: Acquisitions, creations, contributions, transfers	Decreases: Shares retired/ Disposals	Gross value as of Dec. 31, 2017
Concessions, patents and similar rights (software)	34	-	-	34
Advances and payments on account	-	-	-	-
Intangible assets	**34**	**-**	**-**	**34**
Other property, plant and equipment:				
• furniture	284	-	-	284
Property, plant and equipment	**284**	**-**	**-**	**284**
Equity investments	4,118,725		637,284	3,481,441
Loans	5	-	-	5
Other non-current financial assets	-	3	-	3
Non-current financial assets	**4,118,730**	**3**	**637,284**	**3,481,449**
TOTAL	**4,119,048**	**3**	**637,284**	**3,481,767**

The decrease in the amount of equity investments essentially corresponds to the disposal of Grandville SA shares.

2.2. Depreciation and amortization of fixed assets

	Position and changes in the fiscal year			
(EUR thousands)	Depreciation and amortization as of January 1, 2017	Charges	Reversals	Depreciation and amortization as of Dec. 31, 2017
Concessions, patents and similar rights (software)	10	4		14
Intangible assets	**10**	**4**	**-**	**14**
Other property, plant and equipment:				
• furniture	284	-	-	284
Property, plant and equipment	**284**	**-**	**-**	**284**
TOTAL	**294**	**4**	**-**	**298**

2.3. Accounts receivable by maturity

(EUR thousands)	Gross amount	Up to 1 year	More than 1 year
Other receivables	5,003	5,003	-
Prepaid expenses	177	177	-
Bond redemption premiums [(a)]	911	529	382
TOTAL	**6,091**	**5,709**	**382**

(a) Bond redemption premiums are amortized on a straight-line basis over the life of the bonds.

2.4. Short-term investments

2.4.1. Treasury shares

The value of the treasury shares held was allocated as follows as of December 31, 2017:

	As of December 31, 2017			
(EUR thousands)	Number of shares	Gross carrying amount	Impairment	Net carrying amount
502-1 Shares intended to be granted to employees and allocated to specific plans	669,930	61,945	-	61,945
502-2 Shares available to be granted to employees	61,321	10,273	-	10,273
SHORT-TERM INVESTMENTS	**731,251**	**72,218**	**-**	**72,218**

Portfolio movements over the fiscal year were as follows:

Treasury shares *(EUR thousands)*	Share purchase option plans: Number of shares	Share purchase option plans: Gross carrying amount	Bonus share and performance share plans: Number of shares	Bonus share and performance share plans: Gross carrying amount	Non-allocated shares: Number of shares	Non-allocated shares: Gross carrying amount
As of January 1, 2017	**795,679**	**60,687**	**251,720**	**35,847**	**44,219**	**7,699**
Purchases						
Sales						
Transfers	(16,323)	(2,467)	(779)	(107)	17,102	2,574
Options exercised	(259,378)	(20,185)				
Shares allocated			(100,989)	(11,830)		
AS OF DECEMBER 31, 2017	**519,978**	**38,035**	**149,952**	**23,910**	**61,321**	**10,273**

2.4.2. *Stock option and similar plans*

Share purchase option plans

The Shareholders' Meeting of December 6, 2016 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in February 2019, to grant share subscription or purchase options to Group company employees or senior executive officers, on one or more occasions, in an amount not to exceed 1% of the Company's share capital as of the date of the authorization.

Each purchase plan has a term of ten years. Provided the conditions set by the plan are met, options may be exercised after a four-year period from the plan's commencement date.

No share purchase option plans have been set up since 2010.

For all plans, one option entitles the holder to purchase one share.

Bonus share and performance share plans

The Shareholders' Meeting of December 1, 2015 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in January 2018, to award bonus shares to employees and/or senior executive officers of Group companies, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

For plans earlier than November 30, 2015 (set up between 2012 and 2014), shares vest after a three-year period for French tax residents. Shares may be freely transferred or sold only after an additional two-year holding period. Bonus shares awarded to recipients who are not French residents for tax purposes vest after a period of four years and become freely transferable at that time.

For plans later than November 30, 2015, bonus shares awarded to all recipients vest, provided certain conditions are met and irrespective of their residence for tax purposes, after a period of three years, without any subsequent holding period.

The plans combine awards of bonus shares and of performance shares in proportions determined in accordance with the recipient's level in the hierarchy and status.

Performance conditions

The majority of the share purchase option plans and bonus share plans are subject to performance conditions that determine vesting.

Performance shares/options granted under pre-2014 plans are allowed to vest only if Christian Dior's consolidated financial statements for the calendar year in which the plan was set up (calendar year "Y") and year Y +1 show a positive change compared to calendar year Y-1 in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and current operating margin.

Between 2012 and 2016, Christian Dior's fiscal year did not correspond to the calendar year. For this reason, changes in these indicators were determined on the basis of the 12-month pro forma consolidated financial statements as of December 31 for each calendar year concerned.

For the October 16, 2014 plan, performance shares only vest if Christian Dior's consolidated financial statements for the 2015 calendar year show a positive change compared to calendar year 2014 in relation to at least one of the aforementioned indicators. This condition was satisfied.

Performance shares granted under the plans set up on December 1, 2015 and December 6, 2016 only vest if Christian Dior's consolidated financial statements for calendar years Y+1 and Y+2 show a positive change compared to calendar year Y (the year in which the plan was set up) in relation to at least one of the aforementioned indicators. For the plan set up in 2015, the performance condition was satisfied in 2016 and 2017. For the plan set up in 2016, the performance condition was satisfied in 2017.

Plan commencement date	Type of plan	Shares/options awarded if there is a positive change in one of the indicators between calendar years:
May 14, 2009	Share purchase option plan	2009 and 2008; 2010 and 2008
July 25, 2013	Bonus shares	2013 and 2012; 2014 and 2012
October 16, 2014	"	2015 and 2014
December 1, 2015	"	2016 and 2015; 2017 and 2015
December 6, 2016	"	2017 and 2016; 2018 and 2016

Exercise of such options does not lead to any dilution for shareholders, since they are allocations of existing shares.

Movements relating to stock option and similar plans

Movements during the fiscal year relating to rights allocated under the various plans based on Christian Dior shares were as follows:

(number)	Share purchase option plans	Bonus share and performance share plans
Rights not exercised as of January 1, 2017	**795,679**	**251,720**
Provisional allocations for the fiscal year		
Options/allocations expired in 2017	(16,323)	(779)
Options exercised/allocations vested in 2017	(259,378)	(100,989)
Rights not exercised as of December 31, 2017	**519,978**	**149,952**

2.4.3. Other short-term investments

	As of December 31, 2017		
(EUR thousands)	Gross	Impairment	Net
FCP funds	1,434,133	(782)	1,433,350
SICAV funds	708,179	(506)	707,673
Other securities	**2,142,312**	**(1,288)**	**2,141,023**

2.5. Equity

2.5.1. *Share capital*

The share capital comprises 180,507,516 shares, each with a par value of 2 euros, of which 129,462,601 shares carry double voting rights.

2.5.2. *Change in equity*

(EUR thousands)	
Equity as of December 31, 2016 (prior to appropriation of net profit)	**2,984,904**
Net profit for the fiscal year ended December 31, 2017	6,163,690
Dividends paid for the fiscal year ended December 31, 2016	(252,710)
Impact of treasury shares	1,197
Interim dividends for the fiscal year ended December 31, 2017	(288,812)
Equity as of December 31, 2017 (prior to appropriation of net profit)	**8,608,269**

The appropriation of net profit for 2016 resulted from the decisions of the Combined Shareholders' Meeting of April 13, 2017.

2.6. Provisions for contingencies and losses

(EUR thousands)	Amount as of January 1, 2017	Provisions	Reversals	Amount as of Dec. 31, 2017
Provision for losses [a]	33,906	19,317	10,797	42,426
TOTAL	**33,906**	**19,317**	**10,797**	**42,426**

(a) Including provision for losses with respect to share purchase option plans deemed exercisable as of December 31, 2017 (market value of the Christian Dior share greater than the exercise price of the option) and bonus share and performance share allocation plans (see Note 1.5 "Accounting policies").

2.7. Liabilities by maturity

(EUR thousands)	Gross amount	Up to 1 year	From 1 to 5 years	More than 5 years
Bonds	855,065	5,065	850,000	-
Bank loans and borrowings	1,560	1,560	-	-
Trade accounts payable	1,332	1,332	-	-
Tax and social security liabilities	90,839	90,839	-	-
Other operating liabilities	1,219	1,219	-	-
Liabilities associated with non-current assets and related accounts	-	-	-	-
Other liabilities	152	152	-	-
TOTAL	**950,167**	**100,167**	**850,000**	**-**

2.8. Bonds

(EUR thousands)	Nominal interest rate	Issue price *(as % of the par value)*	Maturity	Par value as of Dec. 31, 2017	Accrued interest	Total
EUR 500,000,000 – 2014	1.375%	99.540%	2019	500,000	3,692	503,692
EUR 350,000,000 – 2016	0.750%	99.902%	2021	350,000	1,373	351,373
TOTAL				**850,000**	**5,065**	**855,065**

2.9. Accrued income and expenses by asset/liability line

(EUR thousands)	Accrued expenses	Accrued income
Receivables		
Other receivables	-	-
Liabilities		
Bonds	5,065	-
Bank loans and borrowings	1,560	-
Trade accounts payable	1,332	-
Tax and social security liabilities	90,839	-
Other liabilities	1,219	-

2.10. Financial income and expenses

(EUR thousands)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Income from equity investments	862,040	295,305	716,272
Other interest and similar income	3,855	-	26
Reversals of provisions, impairment and expenses transferred	10,797	9,241	2,994
Financial income	**876,692**	**304,546**	**719,292**
Depreciation, amortization, impairment and provisions	9,720	4,574	10,607
Interest and similar expenses	16,347	7,119	24,971
Net losses on sales of short-term investments	37	-	-
Financial expenses	**26,104**	**11,693**	**35,578**
NET FINANCIAL INCOME/(EXPENSE)	**850,588**	**292,853**	**683,714**

2.11. Exceptional income and expenses

(EUR thousands)	Dec. 31, 2017 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Income from management transactions	-	-	-
Income from capital transactions	6,014,114	-	166
Exceptional income	**6,014,114**	**-**	**166**
Expenses on management transactions	-	6	-
Expenses on capital transactions	650,432	9,095	3,051
Exceptional expenses	**650,432**	**9,101**	**3,051**
NET EXCEPTIONAL INCOME/(EXPENSE)	**5,363,682**	**(9,101)**	**(2,885)**

The 2017 amount of income from and expenses on capital transactions mainly resulted from the sale of the Christian Dior Couture segment to LVMH.

2.12. Income taxes

	December 31, 2017 (12 months)			December 31, 2016 (6 months)			June 30, 2016 (12 months)		
(EUR thousands)	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Recurring profit	827,598	-	827,598	285,377	-	285,377	666,482	-	666,482
Exceptional income/(expense)	5,363,682	(27,590) [(a)]	5,336,092	(9,101)	(6,152)	(15,253)	(2,885)	1,004	(1,881)
NET PROFIT	**6,191,280**	**(27,590)**	**6,163,690**	**276,276**	**(6,152)**	**270,124**	**663,597**	**1,004**	**664,601**

(a) Including income from subsidiaries under the tax consolidation agreement of 14,504 thousand euros and 111,682 thousand euros restituted relating to the contribution on amounts distributed.

2.13. Tax position

As of December 31, 2016, Christian Dior SE was the parent company of a tax consolidation group that included some of its French subsidiaries.

Following the Company's sale of shares in its subsidiary Grandville to LVMH SE on July 3, 2017, Grandville SA, its subsidiary Christian Dior Couture, and the indirect subsidiaries of Christian Dior Couture, Ateliers Modèles and John Galliano, retroactively left the Company's tax consolidation group as of January 1, 2017 and the applicable tax agreements were duly terminated.

The tax consolidation agreement in force for the fiscal year 2017 does not change the tax position of the subsidiaries concerned, which remains identical to that which would have been reported if the subsidiaries had been taxed individually. Any additional tax savings or tax expense – i.e. any difference between the tax recognized by each company and the tax resulting from the calculation of taxable income for the tax group – is recognized by Christian Dior SE.

The tax expense recognized for the fiscal year 2017 amounted to 27,590 thousand euros; the tax expense as of December 31, 2016 came to 6,152 thousand euros.

As of December 31, 2017, Christian Dior SE's tax loss carryforward, which amounted to 111,268 thousand euros as of December 31, 2016, had been deducted in full.

Following the public offer by Semyrhamis for the Christian Dior shares not currently held by Semyrhamis or other members of the Arnault Family Group, and given other purchases of Christian Dior shares by Semyrhamis in 2017, as of December 31, 2017, Groupe Arnault SE held, directly and indirectly, 95.88% of the Company's share capital.

The tax group headed by the Company was dissolved as of December 31, 2017.

As of January 1, 2018, the Company and its subsidiaries Financière Jean Goujon, Sadifa, CD Investissements and FJG Patrimoine joined the tax consolidation group headed by Groupe Arnault SE, as envisaged in the corresponding option formulated on January 30, 2018.

NOTE 3 – OTHER INFORMATION

3.1. Financial commitments

Hedging instruments

Christian Dior does not use any interest-rate hedging instruments.

Covenants

Under the terms of certain loan agreements or bond issues, the Company has made commitments to hold specific percentages of interest and voting rights in certain subsidiaries.

3.2. Lease commitments

The Company has not made any commitments in the area of leasing transactions.

3.3. Compensation of management bodies

In respect of the fiscal year ended December 31, 2017, the gross amount of compensation set aside for members of management bodies was 128 thousand euros.

3.4. Relations with related parties

During the fiscal year, no new related-party agreements, within the meaning of Article R. 123-198 of the French Commercial Code, were entered into in significant amounts and under conditions other than normal market conditions.

On July 3, 2017, Christian Dior SE sold 100% of its Christian Dior Couture segment (including Grandville and its subsidiary Christian Dior Couture) to LVMH for 6 billion euros (see "Key event during the fiscal year" at the beginning of the notes to the parent company financial statements). This purchase price reflects an enterprise value of 6.5 billion euros, determined using a multi-criteria approach, confirmed by independent experts, and approved by the Boards of Directors of Christian Dior SE and LVMH SE, after duly noting the opinions of their respective ad hoc committees, the valuation reports of independent experts and the work of their respective banking advisors. The acquisition contract contains the customary representations and warranties for this type of transaction. The payment was made during the course of July 2017, giving rise to the payment of financial interest to Christian Dior SE in the amount of 4 million euros.

3.5. Identity of the companies consolidating the accounts of Christian Dior

Company name	Registered office	SIREN
Financière Agache	11 rue François 1er 75008 Paris, France	775 625 767
Groupe Arnault	41 avenue Montaigne 75008 Paris, France	314 685 454

5. Subsidiaries and equity investments

(EUR thousands)	Share capital	Equity other than share capital and excluding net profit	Percentage of share capital held	Carrying amount of shares held – Gross	Carrying amount of shares held – Net	Loans and advances provided	Deposits and sureties granted	Revenue excluding taxes for the prior fiscal year	Net profit (loss) for the prior fiscal year	Dividends received from 01/01/2017 to 12/31/2017
A. Details on subsidiaries and equity investments										
1. Subsidiaries										
• Financière Jean Goujon	1,005,294	1,454,882	100.00%	3,478,680	3,478,680	-	-	-	857,021	862,040
• Sadifa	1,901	1,128	99.99%	2,656	2,656	-	-	133	(23)	-
• CD Investissements	50	(11)	100.00%	101	101	-	-	-	(4)	-
2. Equity investments										
B. Summary information relating to other subsidiaries and equity investments										
• Other French equity investments				4	4	-	-			-
TOTAL				**3,481,441**	**3,481,441**					**862,040**

6. Portfolio of subsidiaries, equity investments and short-term investments

	As of December 31, 2017	
(EUR thousands)	**Number of shares**	**Carrying amount**
Financière Jean Goujon shares	62,830,900	3,478,680
Sadifa shares	118,788	2,656
CD Investissements shares	5,000	101
LVMH shares	25	4
Subsidiaries and equity investments (shares)		**3,481,441**

	As of December 31, 2017	
(EUR thousands)	**Number of shares**	**Carrying amount**
Treasury shares	731,251	72,218
Treasury shares	**731,251**	**72,218**

	At beginning of fiscal year	Increases	Decreases	At end of fiscal year
Number of treasury shares	1,091,618		360,367	731,251
TOTAL	**1,091,618**		**360,367**	**731,251**

	As of December 31, 2017
(EUR thousands)	**Carrying amount**
SICAV funds	707,673
FCP funds	1,433,350
Other short-term investments	**2,141,023**

7. Company results over the last five fiscal years

(EUR thousands)	**June 30, 2014** (12 months)	**June 30, 2015** (12 months)	**June 30, 2016** (12 months)	**Dec. 31, 2016** (6 months)	**Dec. 31, 2017** (12 months)
1. Share capital					
Share capital at fiscal year-end	363,454	361,015	361,015	361,015	361,015
Number of ordinary shares outstanding	181,727,048	180,507,516	180,507,516	180,507,516	180,507,516
Maximum number of future shares to be created:					
• through exercise of equity warrants	-	-	-	-	-
• through exercise of share subscription options	-	-	-	-	-
2. Operations and profit for the fiscal year					
Revenue before taxes	-	-	-	-	-
Profit before taxes, depreciation, amortization, impairment and movements in provisions	566,505	3,421,585	678,626	275,317	6,201,619
Income tax (income)/expense	(5,964)	7,483	(1,004)	6,152	27,590
Profit after taxes, depreciation, amortization, impairment and movements in provisions	575,576	3,414,393	664,601	270,124	6,163,690
Profit distributed as dividends [(a)]	563,354	1,329,183	640,802	252,711	902,538
3. Earnings per share *(EUR)*					
Earnings per share after taxes but before depreciation, amortization, impairment and movements in provisions	3.15	18.91	3.77	1.49	34.20
Earnings per share after taxes, depreciation, amortization, impairment and movements in provisions	3.17	18.92	3.68	1.50	34.15
Gross dividend distributed per share [(b)]	3.10 [(c)]	3.20 [(d)]	3.55	1.40	5.00
4. Employees					
Average number of employees	-	-	-	-	-
Total payroll [(e)]	14,999	26,639	9,351	4,576	9,614
Amounts paid in respect of employee benefits	741	1,171	26	14	35

(a) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of Christian Dior treasury shares held as of the distribution date. For the fiscal year ended December 31, 2017, amount proposed at the Shareholders' Meeting of April 12, 2018.
(b) Excluding the impact of tax regulations applicable to recipients.
(c) On December 17, 2014, an exceptional distribution in kind in the form of Hermès International shares was carried out for 11.67 euros per share (distribution of reserves and issue premiums under the seventh resolution of the Shareholders' Meeting of December 9, 2014).
(d) Furthermore, on December 17, 2014, an exceptional interim dividend in kind was also paid, in the form of Hermès International shares, for 4.20 euros per share for the fiscal year ended June 30, 2015.
(e) Including provisions, on plans deemed exercisable relating to purchase options and the allocation of bonus and performance shares, recognized under personnel expenses.

8. Statutory Auditors' reports

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders' Meeting of Christian Dior SE,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying parent company financial statements of Christian Dior SE for the fiscal year ended December 31, 2017.

In our opinion, the parent company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December, 31 2017 and of the results of its operations for the fiscal year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

II. Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' responsibilities for the audit of the parent company financial statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non- audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for Statutory Auditors.

III. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the parent company financial statements for the current period, as well as how we addressed those risks.

We determined that there were no key audit matters to disclose in our report.

IV. Verification of the Management Report and other documents provided to shareholders

We also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the Management Report and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements

We have no matters to report as to the fair presentation and the consistency with the parent company financial statements of the information given in the Management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information, it being specified that, as mentioned in the Board of Directors' report on corporate governance, this information refers to remunerations and benefits paid or incurred by your Company or the companies it owns.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (Code de commerce), we verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

V. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

Our appointment as Statutory Auditors of Christian Dior SE was renewed by your Shareholders' Meeting held on December 19, 2013.

As of December 31, 2017, Mazars was in the seventeenth consecutive fiscal year of their engagement and Ernst & Young et Autres was in the eleventh fiscal year, it being specified that Ernst & Young Audit was previously Statutory Auditor.

VI. Responsibilities of management and those charged with governance for the parent company financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The parent company financial statements have been approved by the Board of Directors.

VII. Statutory Auditors' responsibilities for the audit of the parent company financial statements

Objectives and audit approach

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the parent company financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the parent company financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Performance Audit Committee

We have submitted a report to the Performance Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the parent company financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for Statutory Auditors. Where appropriate, we discuss with the Performance Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris- La Défense, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Jeanne Boillet

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STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders' Meeting of Christian Dior SE,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce), to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce) of the continuation of the implementation, during the fiscal year ended December 31, 2017, of the agreements and commitments previously approved by the Shareholders' Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements and commitments submitted for approval to the Shareholders' Meeting

In accordance with Article L. 225-40 of the French Commercial Code (Code de commerce), we have been notified of the following related party agreements and commitments entered into during the past fiscal year which received prior authorization from your Board of Directors.

1. With Hélène Desmarais, Renaud Donnedieu de Vabres and Christian de Labriffe, Directors

Nature, purpose and conditions

As part of the planned public offer of Semyrhamis for the shares in your Company not held by Semyrhamis and other members of Groupe Arnault and the planned sale of the Christian Dior Couture segment, at its meeting on April 24, 2017, the Board of Directors:

- (i) decided to appoint an ad hoc committee to supervise the work of the independent expert in charge of assessing the fairness of the financial terms of the sale and expressing an opinion to the Board of Directors prior to making decisions concerning the public offer and the sale, respectively, and
- (ii) authorized the allocation to each of the three members of this committee of an exceptional compensation of 15,000 euros on a gross basis.

For that purpose, your Company paid total exceptional compensation of 45,000 euros on a gross basis to the members of the ad hoc committee.

2. With LVMH SE, a subsidiary of your Company

Persons concerned: Bernard Arnault and Delphine Arnault, senior executives at both companies, and Antoine Arnault, Director of LVMH.

Nature and purpose

Sale of the Christian Dior Couture segment.

Conditions

On May 22, 2017, the Board of Directors authorized the conclusion by your Company of the agreement regarding the sale of the entire share capital of Grandville SA (which holds 100% of the share capital and voting rights of Christian Dior Couture SA, and also a portion of the real estate holdings dedicated to the activities of Christian Dior Couture SA) and the related vendor loan, it being specified that the completion of the sale was subject to obtaining a decision from the Autorité des Marchés Financiers on the proposed public offer by Semyrhamis SA for all of the Christian Dior shares that were not held by Semyrhamis SA and the other members of Groupe Arnault.

The compliance decision on the offering was made on June 6, 2017 and the company Granville SA and its subsidiaries were sold by your Company on July 3, 2017 for the purchase price of 6 billion euros (on the basis of an enterprise value of 6,500,000,000 euros), it being specified that the vendor loan resulted in the payment of interest amounting to 3,833,333.33 euros.

Reasons justifying why the Company benefits from this agreement

Your Board provided the following reason: This sale enables your subsidiary LVMH to strengthen its Fashion and Leather Goods business group by integrating the Christian Dior Couture brand and to bring together the Christian Dior Couture and Parfums Christian Dior brands.

Agreements and commitments previously approved by the Shareholders' Meeting

In accordance with Article R. 225-30 of the French Commercial Code (Code de commerce), we have been notified that the implementation of the following agreements and commitments, which were approved by the Shareholders' Meeting in prior years, continued during the fiscal year ended December 31, 2017.

1. With Groupe Arnault SEDCS, a shareholder of your Company

Assistance agreement

Nature, purpose and conditions

The assistance agreement of November 27, 1995, amended by the rider of March 27, 2003, with Groupe Arnault SEDCS, continued in 2017. Remuneration was 4,047,956.88 euros including VAT for the calendar year 2017. Your Company incurred an expense of 4,047,956.88 euros including VAT for the fiscal year ended December 31, 2017.

Since your Company does not have any employees of its own, this agreement allows skills to be made available and for certain expenses to be shared, thus reducing the expense in the interest of both parties.

2. With LVMH, a subsidiary of your Company

Persons concerned

Bernard Arnault, Pierre Godé and Delphine Arnault, Directors.

Service agreement entered into with Christian Dior SE

Nature, purpose and conditions

The service agreement of June 7, 2002, amended by the rider of May 16, 2014, between your company and LVMH SE related to legal services, and, in particular, company law and the management of the securities department, continued in 2017.

This agreement allows skills to be made available, primarily in the area of company law and the management of the securities department.

Annual remuneration is 60,000 euros excluding VAT. Your company incurred an expense of 72,000 euros including VAT for the fiscal year ended December 31, 2017.

Courbevoie and Paris-La Défense, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Jeanne Boillet

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Resolutions for the approval of the Combined Shareholders' Meeting of April 12, 2018

1. Ordinary resolutions

First resolution
(Approval of the parent company financial statements)

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the parent company financial statements for the fiscal year ended December 31, 2017, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports, which show a net profit of 6,163,689,660.51 euros for the aforementioned fiscal year.

Second resolution
(Approval of the consolidated financial statements)

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the fiscal year ended December 31, 2017, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Third resolution
(Allocation of net profit – determination of dividend)

The Shareholders' Meeting, having noted that the net profit for the fiscal year totaling 6,163,689,660.51 euros, plus retained earnings in an amount of 2,141,774,107.90 euros, constitutes distributable earnings of 8,305,463,768.41 euros, decides, on the recommendation of the Board of Directors, to appropriate and allocate the distributable profit for the fiscal year ended December 31, 2017 as follows:

Amount available for distribution *(EUR)*	
Net profit	6,163,689,660.51
Retained earnings	2,141,774,107.90
DISTRIBUTABLE EARNINGS	**8,305,463,768.41**
Proposed appropriation	
Distribution of a gross dividend of 5.00 euros per share	902,537,580.00
Retained earnings	7,402,926,188.41
TOTAL	**8,305,463,768.41**

For information, as of December 31, 2017, the Company held 731,251 of its own shares, corresponding to an amount not available for distribution of 72.2 million euros, equivalent to the purchase cost of those shares.

Accordingly, the Shareholders' Meeting sets the total dividend for the fiscal year ended December 31, 2017 at 5.00 euros per share. Taking into account the interim cash dividend of 1.60 euros per share paid on December 7, 2017, the final dividend is 3.40 euros per share. The ex-dividend date will be April 17, 2018 and the final dividend will be paid on April 19, 2018.

Under existing tax law applicable to the interim dividend and the final dividend as of January 1, 2018, individuals whose tax residence is in France and who are subject to income tax at a progressive rate (by right in 2017 and by electing to do so in 2018) will be entitled to the 40% tax deduction for this dividend distribution.

Lastly, should the Company hold, at the time of payment of this final dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends would be allocated to retained earnings.

Distribution of dividends

As required by law, the Shareholders' Meeting observes that the gross cash dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year	Type	Payment date	Gross dividend [(a)] *(EUR)*	Tax deduction [(b)] *(EUR)*
December 31, 2016	Interim	-	-	-
	Final	April 21, 2017	1.40	0.56
	TOTAL		**1.40**	**0.56**
June 30, 2016	Interim	April 21, 2016	1.35	0.54
	Final	December 13, 2016	2.20	0.88
	TOTAL		**3.55**	**1.42**
June 30, 2015 [(c)]	Interim	April 23, 2015	1.25	0.50
	Final	December 15, 2015	1.95	0.78
	TOTAL		**3.20**	**1.28**

(a) Excluding the impact of tax regulations applicable to the recipients.
(b) For individuals with tax residence in France.
(c) Excluding the exceptional interim dividend in kind in the form of Hermès International shares paid as of December 17, 2014, corresponding to 4.20150 euros per Christian Dior share, the entire amount of which qualifies as distributed income for tax purposes.

Fourth resolution
(Approval of related-party agreements)

The Shareholders' Meeting, having examined the special report of the Statutory Auditors on the related-party agreements covered by Article L. 225-38 of the French Commercial Code, approves the agreements referred to in this report.

Fifth resolution
(Ratification of the appointment of Nicolas Bazire as Director)

The Shareholders' Meeting decides to ratify the appointment of Nicolas Bazire as Director, who had been co-opted to the Board to replace Denis Dalibot, who had resigned. Nicolas Bazire will serve for the remainder of his predecessor's term of office, which will end at the close of the Ordinary Shareholders' Meeting convened in 2019 to approve the financial statements for the previous fiscal year.

Sixth resolution
(Renewal of Delphine Arnault's term of office as Director)

The Shareholders' Meeting decides to renew Delphine Arnault's term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Seventh resolution
(Renewal of Hélène Desmarais' term of office as Director)

The Shareholders' Meeting decides to renew Hélène Desmarais' term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Eighth resolution
(Renewal of Jaime de Marichalar y Sáenz de Tejada's term of office as Advisory Board member)

The Shareholders' Meeting decides to renew Jaime de Marichalar y Sáenz de Tejada's term of office as Advisory Board member for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Ninth resolution
(Approval of the items of compensation paid or granted to Bernard Arnault, Chairman of the Board of Directors)

Pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the Shareholders' Meeting approves the fixed and variable components of the total compensation and benefits in kind paid or granted to Bernard Arnault in respect of the fiscal year ended December 31, 2017 as presented in §3.1 of the report of the Board of Directors on the draft resolutions.

Tenth resolution

(Approval of the items of compensation paid or granted to Sidney Toledano, Chief Executive Officer)

Pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the Shareholders' Meeting approves the fixed and variable components of the total compensation and benefits in kind paid or granted to Sidney Toledano in respect of the fiscal year ended December 31, 2017 as presented in §3.1 of the report of the Board of Directors on the draft resolutions.

Eleventh resolution

(Approval of the compensation policy for senior executive officers)

The Shareholders' Meeting, having examined the report of the Board of Directors on corporate governance prepared in accordance with Articles L. 225-37 and L. 225-37-2 of the French Commercial Code, approves the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of total compensation and benefits in kind payable to the senior executive officers, as presented in §3.2 of the report of the Board of Directors on the draft resolutions.

Twelfth resolution

(Authorization to be granted to the Board of Directors, for a period of 18 months, to trade in the Company's shares for a maximum purchase price of 450 euros per share, thus a maximum cumulative amount of 8.2 billion euros)

The Shareholders' Meeting, having examined the description of the share repurchase program, authorizes the Board of Directors, which may sub-delegate its powers, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, Regulation (EU) No. 596/2014 of April 16, 2014 and related EU regulations, Article L. 451-3 of the French Monetary and Financial Code, as well as Articles 241-1 et seq. of the General Regulation of the Autorité des Marchés Financiers (AMF), and in line with market practices accepted by the AMF, to have the Company purchase its own shares.

Shares may be acquired to meet any objective compatible with provisions in force at the time, and in particular:

(i) to allow an investment services provider acting independently under a liquidity contract set up by the Company in compliance with the AMF-approved AMAFI ethics charter to provide market-making services or improve share liquidity (by way of purchases or sales);

(ii) to cover stock option plans, awards of bonus shares or of any other shares, or share-based payment plans, benefiting employees or company officers of the Company or of any related entities under the conditions set forth in the French Commercial Code, in particular its Articles L. 225-180 and L. 225-197-2;

(iii) to cover debt securities that may be exchanged for the Company's shares and, more generally, securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;

(iv) to be retired subject to the approval of the fourteenth resolution submitted to this Shareholders' Meeting;

(v) to be held and later presented for consideration as an exchange or payment in connection with external growth operations, up to a maximum of 5% of the share capital; and/or

(vi) more generally, to carry out any permitted transactions or any transaction that would be authorized in future under regulations in force at that time, or that would involve an already accepted market practice or one that would come to be accepted by the AMF.

The purchase price at which the Company may acquire its own shares may not exceed 450 euros per share, with the understanding that the Company may not purchase shares at a price greater than the higher of the following two values: the last quoted share price resulting from the execution of a transaction in which the Company was not a stakeholder, or the highest current independent purchase offer on the trading platform where the purchase is to take place.

In the event of a capital increase through the capitalization of reserves and awards of bonus shares as well as in cases of a stock split or reverse stock split, the purchase price indicated above will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the Company's share capital before the transaction to this number after the transaction.

The maximum number of shares that may be purchased during the share repurchase program may not exceed 10% of the share capital, adjusted to reflect transactions affecting the share capital occurring after this Meeting, it being specified that if this authorization is used (i) in the specific case of shares repurchased under the liquidity contract in accordance with Article L. 225-209, par. 2 of the French Commercial Code, the number of shares taken into consideration to calculate the 10% limit is the number of shares purchased less the number of shares resold during the authorization period, and (ii) the number of treasury shares provided as consideration or exchanged in connection with a merger, spin-off or contribution transaction may not exceed 5% of the share capital as of the date of the transaction.

As of December 31, 2017, the limit of 10% of the share capital corresponded to 18,050,751 shares. The total amount dedicated to these purchases may not exceed 8.2 billion euros.

The share purchase transactions described above, as well as any sale or transfer of these shares, may be carried out by any method in compliance with applicable laws and regulations, including through the use of derivatives and through block purchases or sales.

Full powers are granted to the Board of Directors to implement this authorization. The Board of Directors may delegate said powers to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Group Managing Director under the conditions provided for by law, in order to:

- decide to implement this authorization;
- adjust the aforementioned maximum purchase price, in the event of a change in the share's par value, a capital increase through the capitalization of reserves, awards of bonus shares, a stock split or reverse stock split, the distribution of reserves or of any other assets, the redemption of share capital, or any other transaction affecting equity, to reflect the impact of such transactions on the share's value;
- set the terms and conditions under which will be protected, if applicable, the rights of the holders of securities giving access to the share capital or of share subscription or share purchase options, or the rights of those eligible to receive bonus shares, in accordance with legal, regulatory or contractual provisions;
- place any stock market orders, enter into any contracts, sign any documents, or enter into any agreements, particularly for keeping records of stock purchases and sales, in accordance with applicable regulations;
- file any declarations, carry out any formalities, and generally take any necessary action.

Unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company and until the end of the offer period.

This authorization takes effect from the close of this Shareholders' Meeting for a period of 18 months and supersedes the unused portion of the similar authorization granted to the Board of Directors by the Shareholders' Meeting of December 6, 2016 in its twelfth resolution.

2. Extraordinary resolutions

Thirteenth resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to increase the share capital through the capitalization of profits, reserves, additional paid-in capital or other items)

The Shareholders' Meeting, having examined the report of the Board of Directors and in accordance with the provisions of the French Commercial Code, in particular those set forth in its Articles L. 225-129, L. 225-129-2 and L. 225-130, and having met the quorum and voting requirements for Ordinary Shareholders' Meetings,

1. delegates its authority to the Board of Directors to carry out, in the amounts and at the times it sees fit, one or more capital increases through the capitalization of all or a portion of profits, reserves, additional paid-in capital or other items as permitted by law and the Company's Bylaws, including in combination with a capital increase through the issuance of securities to be paid up in cash, pursuant to the fifteenth, sixteenth, seventeenth and nineteenth resolutions of this Shareholders' Meeting, provided these resolutions are approved, or as authorized by any similar and subsequent resolutions during the validity period of this delegation, by way of awards of newly issued ordinary shares or by increasing the par value of existing shares. However, unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the Company's shares and until the end of the offer period;
2. decides that if the Board of Directors uses this delegation of authority, the maximum nominal amount of capital increases that may be carried out is set at eighty (80) million euros,
   - it being specified that the nominal amount of any issues under this resolution will count toward the overall limit set out in the twenty-fourth resolution, provided the latter is approved by this Meeting, or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation,
   - it being specified that to the aforementioned limit may be added the total par value of any shares to be issued to protect the rights of holders of securities giving access to the share capital, share subscription options, or share purchase options, or the rights of those eligible to receive bonus shares;
3. grants this delegation of authority for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its thirteenth resolution;
4. takes note that this delegation of authority gives the Board of Directors full powers, which it may sub-delegate to the Chief Executive Officer or, where applicable and with the latter's consent, to a Group Managing Director, to implement this delegation, subject to the terms and conditions defined by law, and in particular to:
   - determine the total amount and nature of the items to be capitalized, determine the number of new shares to be issued and/or the new par value of the shares representing the share capital, and determine the date, which may be retroactive, from which the new shares will carry dividend rights or the effective date of the increase in par value,

- decide that rights to fractions of shares will not be transferable, that the corresponding shares will be sold in accordance with the procedures set forth in applicable regulations, and that the proceeds from this sale will be allocated to the holders of these rights,
- make any adjustments that may be necessary to account for the impact of any transactions affecting the Company's share capital, and in particular a change in the par value of shares, a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items, awards of bonus shares, a stock split or reverse stock split, the distribution of reserves or of any other assets, the redemption of share capital or any other transaction affecting equity, and lay down the measures that may be necessary to protect the rights of the holders of securities giving future access to the share capital,
- and generally, enter into any agreement necessary to ensure the successful completion of the planned issues, take any measures and decisions and complete any formalities that may be necessary for the issuance, listing and financial servicing of the securities issued pursuant to this delegation and for the exercise of any rights that may be attached to these securities or that may result from the capital increases.

Fourteenth resolution

(Authorization to be granted to the Board of Directors, for a period of 18 months, to reduce the share capital by retiring shares held by the Company subsequent to a repurchase of its own shares)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of Article L. 225-209 of the French Commercial Code,

1. authorizes the Board of Directors to reduce the Company's share capital on one or more occasions, in the proportions and at the times it sees fit, through the retirement of some or all of the shares repurchased by, or that would eventually be repurchased by, the Company, up to a maximum of 10% of the share capital per 24-month period, it being specified that this limit applies to an amount of the Company's share capital that will be adjusted, as appropriate, to take into account transactions affecting the share capital occurring after this Meeting;
2. grants this authorization for a period of 18 months from the date of this Meeting and takes note that this authorization supersedes the unused portion of that granted by the Shareholders' Meeting of December 6, 2016 in its fourteenth resolution;
3. grants full powers to the Board of Directors to perform and record the retirement of shares and the capital reduction transactions carries out under this authorization, carry out all required acts and formalities, amend the Bylaws accordingly, and generally take any necessary action.

Fifteenth resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or securities giving access to equity securities to be issued, with preferential subscription rights)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the French Commercial Code, in particular those set forth in its Articles L. 225-127 to L. 225-129-6, L. 225-132 to L. 225-134, and L. 228-91 to L. 228-92,

1. delegates its authority to the Board of Directors to issue, on one or more occasions and in the amounts and at the times it sees fit, on the French and/or international market, by way of public offerings, in euros or in any other currency or unit of account based on a basket of currencies, and with preferential subscription rights, ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities and/or conventional or hybrid securities of any type, including subscription warrants issued on a standalone basis, giving either immediate or future access, at any time or on a predetermined date, to equity securities to be issued by the Company, by subscription to be paid up either in cash or by offsetting of receivables, conversion, exchange, redemption, the tendering of a warrant or in any other manner, with the understanding that debt securities may be issued with or without guarantees and in forms, at rates, and under the terms and conditions deemed appropriate by the Board of Directors, it being specified that the issuance of preference shares or securities giving immediate or future access to preference shares is excluded from the scope of this delegation. However, unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the Company's shares and until the end of the offer period;
2. decides that if the Board of Directors uses this delegation of authority,
   - the maximum nominal amount (excluding issue premiums) of the capital increases that may be carried out immediately or over time under this resolution is set at eighty (80) million euros, it being specified that the nominal amount of any issues under this resolution will count toward the overall limit set out in the twenty-fourth resolution, provided the latter is approved by this Meeting, or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation,
   - in the event of a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items in the form of awards of bonus shares during the validity period of this delegation of authority, the aforementioned

nominal amount will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the share capital after the transaction to this number before the transaction,

- to this limit will be added the total nominal amount of any additional shares that may need to be issued in the event of further financial transactions to protect the rights of holders of securities giving future access to the share capital, share subscription options or share purchase options, or the rights of those eligible to receive bonus shares,
- the total nominal amount of the Company's debt securities that may be issued pursuant to this delegation of authority may not exceed five (5) billion euros or an equivalent value in a foreign currency as of the date any issue is decided, it being specified that the nominal amount of debt securities to be issued under the sixteenth, seventeenth, nineteenth, twentieth and twenty-first resolutions, provided these resolutions are approved by this Meeting, or to be issued as authorized by any similar and subsequent resolutions during the validity period of this delegation, will be included as part of this maximum amount;

3. grants this delegation of authority for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes, from the date hereof, that granted by the Shareholders' Meeting of December 6, 2016 in its fifteenth resolution;
4. if the Board of Directors uses this delegation of authority,
   - decides that the shareholders will have preferential subscription rights and will be entitled to subscribe on an irreducible basis in proportion to the number of shares they hold at the time, with the understanding that the Board of Directors will have the power to grant reducible subscription rights and to provide an overallotment option designed exclusively to meet unfilled reducible subscription orders,
   - decides that, if the subscriptions made on an irreducible basis and, where applicable, on a reducible basis, have not absorbed the entire issue, the Board of Directors may make use of the various means provided by law in the order it deems appropriate and, in particular, may offer to the public, either in France or abroad, all or a portion of the unsubscribed shares and/or securities,
   - decides that subscription warrants for the Company's shares may be issued through a subscription offer subject to the aforementioned conditions, and may also be granted free of charge to the holders of the previously existing shares,
   - decides that if standalone share subscription warrants are granted free of charge, the Board of Directors may decide that the rights to acquire fractions of shares will not be transferable and that the corresponding shares will be sold,
   - takes note that, should this delegation of authority be used, the decision to issue securities giving access to the share capital will entail, in favor of the holders of these securities, the express waiver by the shareholders of their preferential rights to subscribe for the shares to which these securities will give access;
5. decides that the Board of Directors may suspend the exercise of the rights attached to the securities issued for a period of up to three months and may take all appropriate steps to ensure that adjustments are made as required by laws and regulations in force or, where applicable, by contractual clauses that protect the rights of the holders of securities giving access to the Company's share capital;
6. grants full powers to the Board of Directors, which may delegate these powers to the Chief Executive Officer or, where applicable and with the latter's consent, to a Group Managing Director, to:
   - implement this delegation, subject to the terms and conditions laid down by law,
   - offset the capital increase costs against the amount of the corresponding share premiums and deduct from that amount any sum that may be necessary to bring the legal reserve up to one-tenth of the new share capital after each increase,
   - determine and make any adjustments that may be necessary to account for the impact of any transactions affecting the Company's share capital, and in particular in the event of a change in the par value of shares, a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items, awards of bonus shares, a stock split or reverse stock split, the distribution of reserves or of any other assets, the redemption of share capital or any other transaction affecting equity, and lay down the measures that may be necessary to protect the rights of the holders of securities giving future access to the share capital,
   - and generally, enter into any agreement necessary to ensure the successful completion of the planned issues, take any measures and decisions and complete any formalities that may be necessary for the issuance, listing and financial servicing of the securities issued pursuant to this delegation and for the exercise of any rights that may be attached to these securities or that may result from the capital increases.

Sixteenth resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue, by means of public offerings, ordinary shares, and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or securities giving access to equity securities to be issued, without preferential subscription rights but with the option of granting a priority right)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the French Commercial Code, in particular those set forth in its Articles L. 225-127 to L. 225-129-2, L. 225-129-5 to L. 225-129-6, L. 225-134, L. 225-135, L. 225-136 et seq., and L. 228-91 to L. 228-92,

1. delegates its authority to the Board of Directors to issue, on one or more occasions and in the amounts and at the times it sees fit, on the French and/or international market, by way of public offerings, in euros or in any other currency or unit of account based on a basket of currencies, ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities and/or conventional or hybrid securities of any type, including subscription warrants issued on a standalone basis, giving either immediate or future access, at any time or on a predetermined date, to equity securities to be issued by the Company, by subscription to be paid up either in cash or by offsetting of receivables, conversion, exchange, redemption, the tendering of a warrant or in any other manner, with the understanding that debt securities may be issued with or without guarantees and in forms, at rates, and under the terms and conditions deemed appropriate by the Board of Directors, it being specified that the issuance of preference shares or securities giving immediate or future access to preference shares is excluded from the scope of this delegation. However, unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the Company's shares and until the end of the offer period;
2. decides that if the Board of Directors uses this delegation of authority,
   - the maximum nominal amount (excluding issue premiums) of the capital increases that may be carried out immediately or over time under this resolution is set at eighty (80) million euros, it being specified that the amount of any issues under this resolution will count toward the overall limit set out in the twenty-fourth resolution, provided the latter is approved by this Meeting, or, where applicable, toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation,
   - in the event of a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items in the form of awards of bonus shares during the validity period of this delegation of authority, the aforementioned nominal amount will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the share capital after the transaction to this number before the transaction,
   - to this limit will be added the nominal amount of any additional shares that may need to be issued in the event of further financial transactions to protect the rights of holders of securities giving future access to the share capital, share subscription options, or share purchase options, or the rights of those eligible to receive bonus shares,
   - the total nominal amount of the Company's debt securities that may be issued pursuant to this delegation of authority may not exceed five (5) billion euros or an equivalent value in a foreign currency as of the date any issue is decided, it being specified that the nominal amount of debt securities to be issued under the fifteenth, seventeenth, nineteenth, twentieth and twenty-first resolutions, provided these resolutions are approved by this Meeting, or to be issued as authorized by any similar and subsequent resolutions during the validity period of this delegation, will be included as part of this maximum amount;
3. grants this delegation of authority for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its sixteenth resolution;
4. decides to exclude the preferential rights of shareholders to subscribe for the shares and other securities that may be issued under this resolution, while leaving the Board of Directors the option, as provided for by Article L. 225-135, par. 5 of the French Commercial Code, to grant to shareholders, for such a period and under such terms as it will determine in accordance with legal and regulatory provisions and for all or part of an issue made, a priority subscription right over a specific period, not giving rise to the creation of transferable or tradable rights, which must be exercised in proportion to the number of shares held by each shareholder and may potentially be supplemented by a reducible subscription, it being specified that any securities that are not subscribed may be sold through a public offering in France and/or abroad;
5. takes note that, should this delegation of authority be used, the decision to issue securities giving access to the share capital will entail, in favor of the holders of these securities, the express waiver by the shareholders of their preferential rights to subscribe for the shares to which these securities will give access;
6. decides that the Board of Directors may suspend the exercise of the rights attached to the securities issued for a period of up to three months and may take all appropriate steps to ensure that adjustments are made as required by laws and regulations in force or, where applicable, by contractual clauses that protect the rights of the holders of securities giving access to the Company's share capital;

7. decides, in accordance with Article L. 225-136, point 1° par. 1 of the French Commercial Code, that the amount of the consideration accruing and/or to accrue at a later date to the Company for each of the shares issued or to be issued under this delegation, taking into account the issue price of any standalone share subscription warrants that may be issued, will be at least equal to the minimum price set forth in the laws and regulations in force at the time of the issuance (equivalent as of the date of this Meeting to the weighted average of the share price over the three trading days on the regulated market of Euronext Paris immediately preceding the determination of the subscription price for the capital increase, to which a discount of no more than 5% may be applied, after any adjustment of this average price in the event of a difference in the dates from which the shares carry dividend rights);
8. decides that if subscriptions by shareholders or the general public do not absorb the entire issue of securities, the Board of Directors may use any of the following options in the order it deems appropriate:
   - limit the issue to the amount of the subscriptions, provided this amount is at least three-fourths of the issue amount initially decided,
   - freely allocate all or a portion of the securities that were not subscribed,
   - offer to the public, either in France or abroad, all or a portion of the unsubscribed securities;
9. grants the same powers as those specified under point 6 of the fifteenth resolution to the Board of Directors, which may delegate these powers to the Chief Executive Officer, or if applicable and with the latter's consent, to a Group Managing Director.

Seventeenth resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue ordinary shares and/or securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or securities giving access to equity securities to be issued, without preferential subscription rights, through a private placement limited to qualified investors or a select group of investors)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the French Commercial Code, in particular those set forth in its Articles L. 225-127 to L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, and L. 228-91 to L. 228-92:

1. delegates its authority to the Board of Directors to issue, on one or more occasions and in the amounts and at the times it sees fit, on the French and/or international market, by way of an offering pursuant to Article L. 411-2 II of the French Monetary and Financial Code, in euros or in any other currency or unit of account based on a basket of currencies, and without preferential subscription rights, ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or conventional or hybrid securities of any type, including subscription warrants issued on a standalone basis, and which give immediate or future access, at any time or on a predetermined date, to equity securities to be issued by the Company, by subscription to be paid up in cash or by offsetting of receivables, conversion, exchange, redemption, or the tendering of a warrant or in any other manner, with the understanding that debt securities may be issued with or without guarantees and in forms, at rates, and under the terms and conditions deemed appropriate by the Board of Directors, it being specified that the issuance of preference shares or securities giving immediate or future access to preference shares is excluded from the scope of this delegation. However, unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the Company's shares and until the end of the offer period;
2. decides that if the Board of Directors uses this delegation of authority,
   - the maximum nominal amount (excluding issue premiums) of capital increases that may be carried out immediately or over time under this resolution is set at eighty (80) million euros and is limited to 20% of the share capital per year, it being specified that the nominal amount of any issues under this resolution will count toward the overall limit set out in the twenty-fourth resolution, provided the latter is approved by this Meeting, or, where applicable, toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation,
   - in the event of a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items in the form of awards of bonus shares during the validity period of this delegation of authority, the aforementioned nominal amount will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the share capital after the transaction to this number before the transaction,
   - to this limit will be added the total nominal amount of any additional shares that may need to be issued in the event of further financial transactions to protect the rights of holders of securities giving future access to the share capital, share subscription options, or share purchase options, or the rights of those eligible to receive bonus shares,
   - the total nominal amount of the Company's debt securities that may be issued pursuant to this delegation of authority may not exceed five (5) billion euros or an equivalent value in a foreign currency as of the date any issue is decided, it being specified that the nominal amount of debt securities to be issued under the fifteenth, sixteenth, nineteenth, twentieth and twenty-first resolutions, provided these resolutions are approved by this Meeting, or to be issued as authorized by any similar and subsequent resolutions during the validity period of this delegation, will be included as part of this maximum amount;

3. grants this delegation of authority for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its seventeenth resolution;
4. decides to exclude the preferential rights of shareholders to subscribe for the securities that may be issued under this resolution;
5. takes note that, should this delegation of authority be used, the decision to issue securities giving access to the share capital will entail, in favor of the holders of these securities, the express waiver by the shareholders of their preferential rights to subscribe for the shares to which these securities will give access;
6. decides that the Board of Directors may suspend the exercise of the rights attached to the securities issued for a period of up to three months and may take all appropriate steps to ensure that adjustments are made as required by laws and regulations in force or, where applicable, by contractual clauses that protect the rights of the holders of securities giving access to the Company's share capital;
7. decides, in accordance with th Article L. 225-136, point 1° par. 1 of the French Commercial Code, that the amount of the consideration accruing and/or to accrue at a later date to the Company for each of the shares issued or to be issued under this delegation, taking into account the issue price of any standalone share subscription warrants that may be issued, will be at least equal to the minimum price set forth in the laws and regulations in force at the time of the issuance (equivalent as of the date of this Meeting to the weighted average of the share price over the three trading days on the regulated market of Euronext Paris immediately preceding the determination of the subscription price for the capital increase, to which a discount of no more than 5% may be applied, after any adjustment of this average price in the event of a difference in the dates from which the shares carry dividend rights);
8. grants the same powers as those specified under point 6 of the fifteenth resolution to the Board of Directors, which may delegate these powers to the Chief Executive Officer, or if applicable and with the latter's consent, to a Group Managing Director.

Eighteenth resolution

(Authorization to be granted to the Board of Directors, for a period of 26 months, to set the issue price of the shares and/or securities giving access to share capital, in a total issue amount not to exceed 10% of the share capital per year, in connection with a capital increase issued without preferential share subscription rights under the sixteenth and seventeenth resolutions)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the second paragraph of Article L. 225-136, point 1° of the French Commercial Code, authorizes the Board of Directors, which may sub-delegate this authority as provided by law, for issues decided under the sixteenth and seventeenth resolutions and subject to the annual limit of 10% of the share capital as of the issue date, to depart from the rules for determining the issue price of the shares established by the aforementioned resolutions by applying a discount of no more than 10% to the weighted average of the share price over the three trading days on the regulated market of Euronext Paris immediately preceding the date when the subscription price for the capital increase is determined.

This authorization is granted for a period of 26 months from the date of this Meeting, and supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its eighteenth resolution.

Nineteenth resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to raise the number of securities to be issued in connection with capital increases, either with or without preferential subscription rights for shareholders, by exercising overallotment options in the event that the securities on offer are oversubscribed)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with Article L. 225-135-1 of the French Commercial Code, delegates its authority to the Board of Directors for issues decided pursuant to the delegations of authority granted to the Board of Directors under the fifteenth, sixteenth and/or seventeenth resolutions, to raise the number of securities initially planned for an issue if the issue is oversubscribed, under the conditions and within the limits provided for by Articles L. 225-135-1 and R. 225-118 of the French Commercial Code.

Twentieth resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities in consideration for securities tendered to any public exchange offer initiated by the Company)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the French Commercial Code, in particular those set forth in its Articles L. 225-129, L. 225-129-2, L. 225-148, and L. 228-91 to L. 228-92,

1. delegates its authority to the Board of Directors to issue, on one or more occasions and at the times it sees fit, shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities in consideration for the securities tendered to a public exchange offer initiated in France or abroad by the Company for the securities of another company admitted to trading on a regulated market as defined under said Article L. 225-148; However, unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the Company's shares and until the end of the offer period;

2. decides that if the Board of Directors uses this delegation of authority,
   - the maximum nominal amount (excluding issue premiums) of the capital increases that may be carried out immediately or over time under this resolution is set at eighty (80) million euros, it being specified that the nominal amount of any issues under this resolution will count toward the overall limit set out in the twenty-fourth resolution, provided the latter is approved by this Meeting, or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation,
   - in the event of a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items in the form of awards of bonus shares during the validity period of this delegation of authority, the aforementioned nominal amount will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the share capital after the transaction to this number before the transaction,
   - to this limit will be added, where applicable, the total nominal amount of any additional shares that may need to be issued in the event of further financial transactions to protect the rights of holders of securities giving future access to the share capital, share subscription options, or share purchase options, or the rights of those eligible to receive bonus shares,
   - the total nominal amount of the Company's debt securities that may be issued pursuant to this delegation of authority may not exceed five (5) billion euros or an equivalent value in a foreign currency as of the date any issue is decided, it being specified that the nominal amount of debt securities to be issued under the fifteenth, sixteenth, seventeenth, nineteenth and twenty-first resolutions, provided these resolutions are approved by this Meeting, or to be issued as authorized by any similar and subsequent resolutions during the validity period of this delegation, will be included as part of this maximum amount;
3. grants this delegation of authority for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its twentieth resolution;
4. takes note that the shareholders of the Company will not have preferential subscription rights to the shares and/or securities issued pursuant to this delegation, which are exclusively to be presented as consideration for securities tendered to a public exchange offer initiated by the Company;
5. takes note that the price of the shares and/or securities issued under this delegation of authority will be determined on the basis of applicable law regarding public exchange offers;
6. decides that if this delegation of authority is used, the Board of Directors will have full powers, which it may sub-delegate within the limits provided by law, in particular to implement this delegation and the related capital increases, to offset the costs of the capital increases against the amount of the corresponding premiums, and deduct from that amount any sums necessary to bring the legal reserve up to one-tenth of the new share capital following each increase.

Twenty-first resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue, within the limit of 10% of share capital, ordinary shares and/or equity securities giving access to other equity securities of the Company or that confer rights to the allocation of debt securities in consideration for the contribution in kind of equity securities or other securities giving access to the share capital)

The Shareholders' Meeting, having examined the report of the Board of Directors and in accordance with the provisions of the French Commercial Code, in particular those set forth in its Articles L. 225-147 and L. 225-147-1,

1. delegates to the Board of Directors the powers necessary to issue, on one or more occasions, at the times it sees fit, in a total issue amount not to exceed 10% of the share capital as of the date of issuance, shares or equity securities giving access to other equity securities of the Company or that confer rights to the allocation of debt securities, in consideration for contributions in kind made to the Company and consisting of equity securities or securities giving access to the share capital, in cases where the provisions of Article L. 225-148 of the French Commercial Code do not apply. However, unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the Company's shares and until the end of the offer period;
2. decides that if the Board of Directors uses this delegation of authority:
   - the maximum nominal amount (excluding issue premiums) of the capital increases resulting from all issues of the securities defined in the preceding paragraph will count toward the overall limit set out in the twenty-fourth resolution, provided the latter is approved by this Meeting, or toward any similar and subsequent limit that may be adopted during the validity period of this delegation,
   - to this limit will be added, where applicable, the total nominal amount of any additional shares that may need to be issued in the event of further financial transactions to protect the rights of holders of securities giving future access to the share capital, share subscription options, or share purchase options, or the rights of those eligible to receive bonus shares,

- the total nominal amount of the Company's debt securities that may be issued pursuant to this delegation of authority may not exceed five (5) billion euros or an equivalent value in a foreign currency as of the date any issue is decided, it being specified that the nominal amount of debt securities to be issued under the preceding resolutions, provided they are approved by this Meeting, or to be issued as authorized by any similar and subsequent resolutions during the validity period of this delegation, will be included as part of this maximum amount;

3. grants this delegation of authority for a period of 26 months from the date of this Meeting and renders null and void from the date hereof the authorization granted by the Shareholders' Meeting of December 6, 2016 in its twenty-first resolution;
4. decides that if this delegation of authority is used, the Board of Directors will have full powers, which it may sub-delegate within the limits provided by law, in particular to implement this delegation and the related capital increases, to offset the costs of the capital increases against the amount of the corresponding premiums, and deduct from that amount any sums necessary to bring the legal reserve up to one-tenth of the new share capital following each increase;
5. takes note that the shareholders of the Company will not have preferential subscription rights to the shares issued pursuant to this delegation, which are exclusively to be presented as consideration for contributions in kind.

Twenty-second resolution

(Authorization to be granted to the Board of Directors, for a period of 26 months, to grant subscription options without preferential subscription rights for shareholders or share purchase options to employees and/or senior executive officers of the Company and related entities, up to a maximum of 1% of the share capital)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors,

1. authorizes the Board of Directors, pursuant to Articles L. 225-177 et seq. of the French Commercial Code, to grant options either to subscribe for new shares of the Company to be issued in the framework of a capital increase or to purchase existing shares held by the Company, in accordance with applicable laws and regulations, on one or more occasions, to employees and/or senior executive officers of the Company or of any related entities within the meaning of Article L. 225-180 of the French Commercial Code, or to certain categories thereof;
2. decides that, without prejudice to the adjustment referred to below, the total number of shares that may be acquired through the exercise of the options granted under this authorization may not exceed 1% of the Company's share capital as of the date of this Meeting, it being specified that the amount of the capital increase that may result from the exercise of the options will count toward the overall limit of eighty (80) million euros set forth in the twenty-fourth resolution below, or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation;
3. takes note that this authorization entails the express waiver by shareholders, in favor of the recipients of share subscription options, of their preferential rights to subscribe for the shares to be issued as these options are exercised and that it will be executed in accordance with the legal and regulatory provisions applicable as of the date on which the options are made available;
4. takes note that the granting of share subscription or share purchase options to the Chairman of the Board of Directors, the Chief Executive Officer or the Group Managing Director(s) may only occur subject to the conditions set forth in Article L. 225-186-1 of the French Commercial Code;
5. decides that the exercise of options granted to senior executive officers will be subject to meeting the performance conditions determined by the Board of Directors;
6. decides that the subscription or purchase price of the shares will be determined by the Board of Directors on the date when the option is granted in accordance with the provisions in force on that date, it being specified that this price may not be lower than the average quoted share price over the 20 trading days prior to said date. Moreover, in the case of share purchase options, the price may not be lower than the average purchase price of the shares to be allocated upon the exercise of said options. The subscription or purchase price of shares under option may not be modified except under the circumstances set forth by law, on the occasion of financial transactions or securities transactions. In this case, the Board of Directors will apply an adjustment, pursuant to regulations, to the number and price of shares under option in order to take into account the impact of these transactions;
7. decides that, subject to the provisions of Article L. 225-185 of the French Commercial Code with respect to senior executive officers, options must be exercised within a maximum period of ten years following their grant date;
8. grants full powers to the Board of Directors under the limits set forth above in order, notably, to:
   - draw up the list of option recipients,
   - determine the terms of the plan(s) and the conditions under which the options may be granted, conditions which may include clauses that prohibit the immediate resale of all or a portion of the shares but may not require a holding period longer than three years after the exercise of options, it being specified that, in any event, with respect to options granted to senior executive officers referred to in Article L. 225-185, par. 4 of the French Commercial Code, the Board of Directors may either decide that these options may not be exercised by their recipients before the end of their term of office, or set the number of shares resulting from the exercise of these options that they are required to hold in registered form until the end of their term of office,

- set the prices for subscribing for new shares or purchasing existing shares,
- decide upon the grant date or dates,
- where applicable, make the exercise of any portion or all of the options subject to one or more performance conditions that it will determine,
- complete, either directly or through an intermediary, all acts and formalities to finalize any capital increase made pursuant to the authorization contained in this resolution,
- take the necessary measures to protect the interests of the option recipients if one of the events enumerated in Article L. 225-181 of the French Commercial Code takes place,
- provide for the possibility of temporarily suspending the exercise of options for a period not to exceed three months in the event of financial transactions involving the exercise of a right attached to the shares,
- record the capital increases resulting from the exercise of options, amend the Bylaws accordingly, and more generally take any necessary action;

9. takes note that the Board of Directors will inform the Ordinary Shareholders' Meeting every year of the transactions carried out under this resolution, indicating the number and price of options granted and their recipients, as well as the number of shares subscribed for or purchased;
10. grants this authorization for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its twenty-second resolution.

Twenty-third resolution

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or securities giving access to the Company's share capital without preferential subscription rights for shareholders, reserved for members of the Group's company savings plans (PEEs), up to a maximum of 1% of the share capital)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and acting in accordance with the provisions of Articles L. 225-129-2, L. 225-138, L. 225-138-1, L. 228-91, and L. 228-92 of the French Commercial Code and Article L. 3332-1 et seq. of the French Labor Code, and also in order to comply with the provisions of Article L. 225-129-6 of the French Commercial Code,

1. delegates to the Board of Directors its authority to (i) increase the share capital, on one or more occasions and under the conditions set forth in Articles L. 3332-1 et seq. of the French Labor Code, by issuing shares, or more generally any securities giving access to the Company's share capital, reserved for employees of the Company and of its related entities within the meaning of Article L. 3344-1 of the French Labor Code, who are members of a company savings plan (PEE), (ii) grant awards, where applicable, of bonus shares or performance shares, or securities giving access to the share capital in full or partial replacement of the discount set forth in point 4 below, within the limits and subject to the requirements specified in Article L. 3332-21 of the French Labor Code, it being specified that, as necessary, the Board of Directors may replace all or part of this capital increase with the transfer, under the same conditions, of securities already issued by the Company;
2. grants this delegation of authority for a period of 26 months from the date of this Meeting and takes note that this delegation supersedes from the date hereof that granted by the Shareholders' Meeting of December 6, 2016 in its twenty-third resolution;
3. decides, subject to the provisions of the twenty-fourth resolution, that the total number of shares that may be issued under this delegation of authority, including those resulting from shares or securities giving access to the Company's share capital that may be awarded as bonus shares in full or partial replacement for the discount, as provided by Articles L. 3332-18 et seq. of the French Labor Code, may not exceed 1% of the Company's share capital as of the date of this Meeting. To this total number will be added, where applicable, the additional number of shares to be issued, as provided by law, to protect the rights of holders of securities giving access to the Company's share capital;
4. decides that (i) the subscription price of newly issued shares may be neither higher than the average of the opening price for existing shares on the regulated market of Euronext Paris over the 20 trading days preceding the date of the decision by the Board of Directors or by the Chief Executive Officer setting the opening date for subscription nor more than 20% lower than this average; it being specified that the Board of Directors or the Chief Executive Officer may, where applicable, reduce or eliminate the discount that might otherwise apply, in order to take into account, in particular, legal and accounting frameworks as well as tax and social security regimes applicable outside France, or may decide to fully or partially replace this discount with awards of bonus shares and/or securities giving access to the share capital and that (ii) the issue price of the securities giving access to the share capital will be determined as provided by Article L. 3332-21 of the French Labor Code;
5. decides to exclude the preferential rights of shareholders to subscribe for the shares or securities giving access to the Company's share capital that may be issued pursuant to this delegation of authority and reserved for employees as set forth above, and to waive any rights to bonus shares or securities giving access to the share capital that might be awarded on the basis of this resolution;
6. grants full powers to the Board of Directors to implement this delegation, including the option to sub-delegate its authority as provided by law, and in particular to:
   - determine the requirements to be met by the beneficiaries of the capital increase(s) and in particular the minimum length of service for eligibility, within legal limits, and if applicable the maximum number of shares that may be subscribed for by each employee,

- decide whether shares must be subscribed for directly by employees enrolled in the Group's company savings plans (PEEs) or whether they must be subscribed for via a corporate investment fund (FCPE) or via a mutual fund available exclusively to employee shareholders (SICAVAS),
- draw up the list of companies whose employees may benefit from the subscription offer,
- determine whether a specific time period should be granted to employees in order to pay up their securities,
- set the conditions for enrollment in the Group's company savings plan(s) (PEEs) and draw up or amend their regulations,
- set the opening and closing dates for the subscription period and the issue price for securities,
- award bonus shares and/or securities giving access to the share capital, within the limits set forth in Articles L. 3332-18 et seq. of the French Labor Code, and set the type and amount of reserves, profits, or additional paid-in capital to be capitalized,
- approve the number of new shares to be issued and the reduction rules applicable in the event that an issue is oversubscribed,
- offset the costs of the share capital increases and the issues of other securities giving access to the share capital against the amount of the premiums corresponding to those increases, and deduct from that amount the sums necessary to bring the legal reserve up to one-tenth of the new share capital following each increase,
- conclude any agreements and carry out, either directly or indirectly through an agent, any transactions that may be necessary, including any formalities that are required by the capital increases and any corresponding amendments to the Bylaws, and in general, enter into any agreement necessary to ensure the successful completion of the planned issues, take any measures and decisions and complete any formalities that may be necessary for the issuance, listing and financial servicing of the securities issued pursuant to this delegation and for the exercise of any rights that may be attached to these securities, or which may result from the capital increases completed;

7. authorizes the Board of Directors, subject to the requirements of this delegation, to sell the Company's shares to the recipients as provided for by Article L. 3332-24 of the French Labor Code.

Twenty-fourth resolution

(Determination of the overall limit for capital increases to be carried out immediately or over time pursuant to delegations of authority)

The Shareholders' Meeting, having examined the report of the Board of Directors and in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code,

1. decides to set an overall cumulative maximum nominal amount of eighty (80) million euros (excluding issue premiums) for the issues that may be decided pursuant to the delegations of authority to the Board of Directors under the preceding resolutions or, where applicable, any issues authorized by similar and subsequent resolutions that might be adopted during the validity period of this delegation, it being specified that to this amount will be added the nominal amount of capital increases to be carried out to protect, as required by law, the rights of the holders of previously issued securities.

   In the event of a capital increase through the capitalization of additional paid-in capital, reserves, profits or other items in the form of awards of bonus shares during the validity period of the aforementioned delegations of authority, the maximum nominal amount referred to above will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the share capital after the transaction to this number before the transaction;

2. decides that the total nominal amount of the Company's debt securities that may be issued pursuant to the delegations granted by the fifteenth, sixteenth, seventeenth, nineteenth, twentieth and twenty-first resolutions of this Shareholders' Meeting, or to be issued as authorized by any similar and subsequent resolutions during the validity period of this delegation, may not exceed five (5) billion euros, or an equivalent value in a foreign currency as of the date any issue is decided.

Twenty-fifth resolution

(Authorization to be granted to the Board of Directors, for a period of 26 months, to award bonus shares in the form of newly issued shares, without preferential subscription rights for shareholders, or in the form of existing shares to employees and/or senior executive officers of the Company and related entities, up to a maximum of 1% of the share capital)

The Shareholders' Meeting, having examined the report of the Board of Directors and the special report of the Statutory Auditors and in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code,

1. authorizes the Board of Directors, at its sole discretion, to award bonus shares, in the form of either newly issued or existing shares, on one or more occasions, to employees and/or senior executive officers of the Company or of any related entities within the meaning of Article L. 225-197-2 of the French Commercial Code, or to certain categories of these employees or senior executive officers, up to a maximum of 1% of the Company's share capital as of the date of this Shareholders' Meeting, it being specified that the amount of the resulting capital increase will count toward the overall limit of eighty (80) million euros set out above in the twenty-fourth resolution, or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation;

2. grants this authorization for a period of 26 months from the date of this Meeting;
3. decides that (i) the awarded shares will vest after a minimum period of one year and (ii) the Board of Directors will have the option to extend the vesting period and/or set a holding period, provided that the combined duration of the minimum vesting period and, where applicable, the holding period is no shorter than two years. However, share awards will vest before the end of the applicable vesting period in the case of the recipient's death or a disability corresponding to a classification in the second or third category provided for by Article L. 341-4 of the French Social Security Code, subject to the satisfaction of conditions, in particular performance conditions, to be determined by the Board of Directors. Moreover, in such cases, said shares will be freely transferable;
4. decides that the vesting of shares for senior executive officers will be subject to meeting the performance conditions determined by the Board of Directors;
5. authorizes the Board of Directors to make adjustments, where applicable and during the vesting period, to the number of shares in connection with any transactions affecting the share capital so as to protect the rights of recipients;
6. takes note that if the awards are to be in the form of newly issued shares, this authorization automatically entails the waiver by shareholders of their preferential subscription rights, in favor of the recipients of bonus shares;
7. decides that should it use this authorization, the Board of Directors, which may delegate this authority as provided by law, will have full powers to:
   - draw up the lists of bonus share recipients,
   - set the terms and conditions for awards, as well as any specific criteria,
   - where applicable, make the vesting of any portion or all of the shares subject to one or more performance conditions that it will determine,
   - set the length of the vesting period and, where applicable, of the holding period for the shares, with the understanding that, in respect of any shares awarded to senior executive officers covered by the fourth paragraph of Article L. 225-197-1 II of the French Commercial Code, the Board of Directors may either decide that these shares may not be transferred by their recipients before the end of their term of office, or set the number of shares they are required to hold in registered form until the end of their term of office,
   - set the dates from which the shares will carry dividend rights,
   - decide whether it is necessary, in the event of transactions affecting the share capital that occur during the vesting period of the awarded shares, to adjust the number of shares awarded to protect the rights of the recipients and, in this case, decide on the terms and conditions for such adjustment,
   - carry out, where the awards are to be in the form of newly issued shares, the capital increases through the capitalization of the Company's reserves or issue premiums that would be necessary at the time of the vesting of the shares to their recipients, set the dates from which the shares will carry dividend rights, and amend the Bylaws accordingly,
   - where applicable, record the capital increases, amend the Bylaws accordingly, and more generally take any necessary action.

Twenty-sixth resolution
(Amendment to the Bylaws)

The Shareholders' Meeting, having examined the report of the Board of Directors, decides to add a paragraph to Article 14a of the Company's Bylaws relating to Advisory Board members to describe the duties and prerogatives of the Advisory Board members.

- Article 14a of the Bylaws is supplemented as follows:

Article 14a – ADVISORY BOARD MEMBERS

…/…

New fourth paragraph:

"*The Advisory Board members may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise.*"

3. Statutory Auditors' reports

STATUTORY AUDITORS' REPORT ON THE PROPOSED DECREASE IN SHARE CAPITAL

(Fourteenth resolution)

To the Shareholders

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L. 225-209 of the French Commercial Code (Code de commerce) on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Your Board of Directors recommends that you confer on it, for a period of eighteen months as of the date of this Shareholders' Meeting, the authority to cancel, up to a maximum of 10% of its share capital per twenty-four-month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares under the provisions of the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) applicable to this engagement. Our procedures consisted in verifying the fairness of the reasons for, and the terms and conditions of, the proposed decrease in share capital, which does not interfere with the equal treatment of shareholders.

We have no matters to report regarding the reasons for, or terms and conditions of the proposed decrease in share capital.

Courbevoie and Paris-La Défense, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Jeanne Boillet

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STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND OTHER SECURITIES WITH AND/OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS

(Fifteenth to twenty-first and twenty-fourth resolutions)

To the Shareholders,

In our capacity as Statutory Auditors of your Company, and pursuant to the engagement provided for in Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report to you on the proposed delegation to the Board of Directors of the authority to proceed with a number of issues of shares and/or securities, transactions on which you are asked to vote.

Your Board of Directors proposes, based on its report:

- that you delegate to it, for a period of 26 months from the date of this Shareholders' Meeting, the authority to decide on the following transactions and to set the final terms and conditions of these issues and proposes, when necessary, that you waive your preferential subscription rights:
  - the issue of ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or securities of any type giving access to equity securities to be issued by the Company, with preferential subscription rights (fifteenth resolution),
  - the issue, by means of a public offering, of ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or securities of any type giving access to equity securities to be issued by the Company, without preferential subscription rights (sixteenth resolution),
  - the issue, by way of an offering pursuant to point II of Article L. 411-2 of the French Monetary and Financial Code, of ordinary shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities, and/or securities of any type giving access to equity securities to be issued by the Company, without preferential subscription rights, and for up to a maximum of 20% of the share capital per year (seventeenth resolution),
  - the issue, in the event of a public exchange offer initiated by your Company, of shares and/or equity securities giving access to other equity securities or that confer rights to the allocation of debt securities (twentieth resolution);
- that you authorize it, pursuant to the eighteenth resolution and as part of the implementation of the delegation referred to in the sixteenth and seventeenth resolutions, to set the issue price in a total issue amount not to exceed the legal limit of 10% of the share capital per year;
- that you delegate to it, for a period of 26 months, the powers needed to issue ordinary shares or equity securities giving access to other equity securities of the Company or conferring entitlement to an allotment of debt securities in consideration of contributions in kind granted to the Company consisting of equity securities or transferable securities giving access to equity (twenty-first resolution), up to a maximum of 10% of the share capital.

The total nominal amount of increases in the share capital that may be undertaken immediately or over time may not, in accordance with the twenty-fourth resolution, exceed 80 million euros under the fifteenth, sixteenth, seventeenth, twentieth and twenty-first resolutions; the total amount of bonus shares that may be allotted under the twenty-fifth resolution proposed at this Meeting shall be counted against this overall limit of 80 million euros.

In accordance with the twenty-fourth resolution, the total nominal amount of the debt securities that may be issued pursuant to the fifteenth, sixteenth, seventeenth, twentieth and twenty-first resolutions may not exceed 5 billion euros.

The additional securities to be created as part of the implementation of the delegations referred to in the fifteenth, sixteenth and seventeenth resolutions, under the conditions set forth in Article L. 225-135-1 of the French Commercial Code and should you adopt the nineteenth resolution, count towards the two aforementioned limits.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantitative data extracted from the financial statements, on the proposed waiver of preferential subscription rights, and on certain additional elements of information pertaining to these transactions, as presented in the "Other information" chapter of this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying the content of the Board of Directors' report in respect of these transactions and the procedures for determining the issue price of equity securities to be issued.

Subject to the subsequent review of the terms and conditions of the issues that would be decided, we have no comments on the procedures for determining the issue price of equity securities to be issued presented in the Board of Directors' report in connection with the sixteenth, seventeenth and eighteenth resolutions.

Furthermore, as the report does not include information on the methods for determining the issue price of equity securities to be issued pursuant to the fifteenth, twentieth and twenty-first resolutions, we cannot express an opinion on the selection of elements used to calculate this issue price.

As the final terms and conditions of the share issues have not yet been determined, we do not express an opinion on the latter and, as such, on the proposed waiver of preferential subscription rights submitted for your approval in the sixteenth and seventeenth resolutions.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, if necessary, on the use of these delegations by your Board of Directors in the event of issues of equity securities giving access to other equity securities or conferring entitlement to receive allocations of debt securities, issues of securities giving access to equity securities to be issued, and issues of shares, without preferential subscription rights.

Courbevoie and Paris-La Défense, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Jeanne Boillet

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STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS

(Twenty-second resolution)

To the Shareholders,

In our capacity as Statutory Auditors of your Company, and pursuant to the engagement provided for in Articles L. 225-177 and R. 225-144 of the French Commercial Code, we hereby report to you on the authorization to grant share subscription or share purchase options to employees or senior executive officers of your Company or related entities within the meaning of Article L. 225-180 of the French Commercial Code, or to certain categories thereof, a transaction on which you are asked to vote.

The total number of options granted pursuant to this authorization may not confer the right to a number of shares representing more than 1% of your Company's share capital as of the date of this Meeting, it being specified that the amount of this capital increase will be applied to the overall ceiling for capital increases of 80 million euros set forth in the twenty-fourth resolution.

Based on its report, your Board of Directors recommends that you confer on it the authority to grant share subscription or share purchase options, for a period of 26 months from the date of this Meeting.

It is the responsibility of the Board of Directors to prepare a report on the reasons for granting share subscription or share purchase options and the proposed procedures for determining the subscription or purchase price. Our role is to express an opinion on the proposed procedures for determining the share subscription or share purchase price.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying, in particular, that the methods proposed for determining the subscription or purchase price for shares are specified in the Board of Directors' report and that they comply with applicable legal and regulatory requirements.

We have no matters to report on the proposed procedures for determining the share subscription or share purchase price.

Courbevoie and Paris-La Défense, March 19, 2018

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Simon Beillevaire	Jeanne Boillet

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STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND OTHER SECURITIES OF THE COMPANY RESERVED FOR MEMBERS OF A COMPANY SAVINGS PLAN

(Twenty-third resolution)

To the Shareholders,

In our capacity as Statutory Auditors of your Company, and pursuant to the engagement provided for in Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby report to you on the proposed delegation to the Board of Directors of the authority to decide on the issue of shares or securities giving access to the share capital of the Company, without preferential subscription rights, reserved for employees of the Company and its related entities, within the meaning of Article L. 3344-1 of the French Labor Code, who are members of a company savings plan, a transaction on which you are being asked to vote.

The total nominal amount of capital increases that may result, whether immediately or over time, from this delegation of authority may not exceed 1% of the Company's share capital as of this Shareholders' Meeting, it being specified that this amount will be applied to the overall ceiling for capital increases of 80 million euros set forth in the twenty-fourth resolution.

This transaction is subject to your approval pursuant to Article L. 225-129-6 of the French Commercial Code and Article L. 3332-18 et seq. of the French Labor Code.

Based on its report, your Board of Directors recommends that you confer on it the authority to decide on such an issue, for a period of 26 months from the date of this Shareholders' Meeting, and that you waive your preferential subscription rights to the securities to be issued. If applicable, the Board will be responsible for determining the final issuance terms and conditions of this transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantitative data extracted from the financial statements, on the proposed waiver of preferential subscription rights, and on certain additional elements of information pertaining to the issue, as presented in the "Other information" chapter of this report.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying the content of the Board of Directors' report as it relates to this transaction and the procedures for determining the issue price of the equity securities to be issued.

Subject to our review in due course of the terms and conditions of the proposed issues, we have no comments to make on the procedures for determining the issue price of the equity securities to be issued presented in the Board of Directors' report.

As the final terms and conditions under which the issues will be carried out have not yet been set, we do not express an opinion on them and, consequently, on the proposed waiver of the preferential subscription rights on which you are being asked to vote.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, if necessary, on the use of this delegation of authority by your Board of Directors in the event of issues of shares or equity securities giving access to other equity securities, or in the event of issues of securities giving access to equity securities to be issued.

Courbevoie and Paris-La Défense, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Jeanne Boillet

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STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO ALLOT EXISTING OR NEWLY CREATED BONUS SHARES

(Twenty-fifth resolution)

To the Shareholders,

In our capacity as Statutory Auditors of your Company, and pursuant to the engagement provided for in Article L. 225-197-1 of the French Commercial Code, we hereby report to you on the authorization to allot existing or newly created bonus shares to employees and/or executive officers of your Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code, or to certain categories thereof, on which transaction you are asked to vote.

The total number of shares that may be included in awards pursuant to this authorization may not represent more than 1% of the Company's share capital. The amount of the capital increase will count toward the overall limit of 80 million euros set out in the twenty-fourth resolution submitted for the approval of this Meeting or toward any limit that may be stipulated by a similar and subsequent resolution during the validity period of this delegation.

Based on its report, your Board of Directors recommends that you confer on it the authority to grant awards of bonus shares, in the form of existing or newly issued shares, for a period of 26 months.

It is the Board of Directors' responsibility to prepare a report on this transaction, which it is requesting the authority to carry out. Our role is to report any observations we may have concerning the information provided to you on the proposed transaction.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying, in particular, that the methods considered and presented in the Board of Directors' report comply with applicable laws.

We have no matters to report regarding the information provided in the Board of Directors' report on the proposed authorization to grant bonus share awards.

Courbevoie and Paris-La Défense, March 19, 2018

The Statutory Auditors,

French original signed by

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Jeanne Boillet

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Other information

GENERAL INFORMATION REGARDING THE PARENT COMPANY; STOCK MARKET INFORMATION

1. Information regarding the parent company

1.1. ROLE OF THE PARENT COMPANY WITHIN THE GROUP

Christian Dior SE is a holding company that directly and indirectly controls 40.99% of the share capital and 56.42% of the theoretical voting rights of LVMH.

1.2. GENERAL INFORMATION

The complete text of the Bylaws currently in effect is appended to the Board of Directors' report on corporate governance.

Company name (Article 3 of the Bylaws): Christian Dior.

Registered office (Article 4 of the Bylaws): 30, avenue Montaigne – 75008 Paris, France. Telephone: +33 (0)1 44 13 22 22.

Legal form (Article 1 of the Bylaws): Société Européenne (Societas Europaea). The Company was converted from a Société Anonyme (SA) to a Société Européenne (SE) on December 9, 2014.

Jurisdiction (Article 1 of the Bylaws): Company governed by European Community and national provisions in effect, and by these Bylaws.

Register of Commerce and Companies: The Company is registered in the Paris Register of Commerce and Companies under number 582 110 987. APE code (company activity code): 6420Z.

Date of incorporation – Term (Article 5 of the Bylaws): Christian Dior was incorporated on October 8, 1946 for a term of 99 years, which expires on October 7, 2045, unless the Company is dissolved early or extended by a resolution of the Extraordinary Shareholders' Meeting.

Location where documents concerning the Company may be consulted: The Bylaws, financial statements and reports, and the minutes of Shareholders' Meetings may be consulted at the registered office at the address indicated above.

1.3. ADDITIONAL INFORMATION

The complete text of the Bylaws currently in effect is appended to the Board of Directors' report on corporate governance.

Corporate purpose (Article 2 of the Bylaws): the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

Fiscal year (Article 24 of the Bylaws): Each fiscal year lasts twelve months, beginning on January 1 and ending on December 31 of the same calendar year.

Distribution of profits under the Bylaws (Article 26 of the Bylaws): The Shareholders' Meeting may deduct from the profit for the fiscal year such sums as it deems appropriate, either to be carried forward to the following fiscal year, or to be applied to one or more general or special reserve funds, whose allocation or use it shall freely determine. Any remaining balance is to be distributed among all shareholders in the form of a dividend, prorated in accordance with the share capital represented by each share.

Shareholders' Meetings (Articles 17 to 23 of the Bylaws): Shareholders' Meetings are convened and held under the conditions provided by the laws and decrees in effect.

Rights, preferences and restrictions attached to shares (Articles 6, 8, 17 and 30 of the Bylaws): All shares belong to the same class, whether issued in registered or bearer form.

Each share gives the right to a proportional stake in the ownership of the Company's assets, as well as in the sharing of profits and of any liquidation surplus.

A voting right equal to twice the voting right attached to other shares is granted to all fully paid-up registered shares for which evidence of registration under the name of the same shareholder during at least three years will be brought, as well as to registered shares allocated to a shareholder, in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issue premiums due to existing shares which entitle the shareholder to this right. This right was granted by the Extraordinary Shareholders' Meeting of June 14, 1991 and may be withdrawn by a decision at the Extraordinary Shareholders' Meeting, after ratification by a Special Meeting of the holders of this right.

Declaration of crossing of thresholds (Article 8 of the Bylaws): Independently of legal obligations, the Bylaws stipulate that any individual or legal entity that becomes the owner of a fraction of capital greater than or equal to 1% shall notify the total number of shares held to the Company. This obligation applies each time the portion of capital owned increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

Necessary action to modify the rights of shareholders: The Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by the law.

Provisions governing changes in the share capital: The Bylaws do not contain any stricter provision governing changes in the share capital than those required by the law.

2. Information regarding the capital

2.1. SHARE CAPITAL

As of December 31, 2017 and February 2, 2018, the Company's share capital was 361,015,032 euros, consisting of 180,507,516 fully paid-up shares with a par value of 2 euros each. The shares issued by the Company are all of the same class. Of these 180,507,516 shares, 129,462,601 shares conferred double voting rights as of December 31, 2017.

2.2. AUTHORIZED SHARE CAPITAL

As of December 31, 2017, the Company's authorized share capital was 441,015,032 euros, consisting of 220,507,516 fully paid-up shares with a par value of 2 euros each.

The authorized share capital represents the maximum amount that the share capital could reach should the Board of Directors make use of all of the authorizations and delegations of authority granted by the Shareholders' Meeting that permit the Company to increase its amount.

2.3. STATUS OF DELEGATIONS AND AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS

This information is included under §1.11, "Summary of existing delegations and financial authorizations and use made of them", in the Board of Directors' report on corporate governance.

2.4. SHAREHOLDERS' IDENTIFICATION

Article 8 of the Bylaws authorizes the Company to set up a shareholder identification procedure.

2.5. NON-CAPITAL SHARES

The Company has not issued any non-capital shares.

2.6. SECURITIES GIVING ACCESS TO THE COMPANY'S SHARE CAPITAL

No securities giving access to the Company's share capital were outstanding as of December 31, 2017.

2.7. CHANGES IN THE COMPANY'S SHARE CAPITAL DURING THE LAST THREE FISCAL YEARS

			Change in capital		Capital after transaction	
(EUR)	Type of transaction	Number of shares	Par value	Issue premium	Amount	Cumulative number of shares
As of June 30, 2015	None	-	-	-	361,015,032	180,507,516
As of June 30, 2016	None	-	-	-	361,015,032	180,507,516
As of December 31, 2016	None	-	-	-	361,015,032	180,507,516
As of December 31, 2017	None	-	-	-	361,015,032	180,507,516

3. Analysis of share capital and voting rights

3.1. SHARE OWNERSHIP OF THE COMPANY

As of December 31, 2017, the Company's share capital comprised 180,507,516 shares:

- 125,903,929 shares held in pure registered form;
- 48,078,242 shares held in administered registered form;
- 6,525,345 shares held in bearer form.

Taking into account treasury shares, 179,776,265 shares carried voting rights, including 129,462,601 shares with double voting rights.

As of December 31, 2017, a total of 163 registered shareholders held at least 100 shares each.

Declaration of crossing of legal thresholds [1]

Following the public offer by Semyrhamis for the shares not held by this company or other members of the Arnault Family Group:

- Semyrhamis declared that on July 4, 2017 it had individually crossed above the threshold of two-thirds of the Company's share capital and that it individually held 148,963,196 Christian Dior SE shares, corresponding to 257,424,640 voting rights, i.e. 82.52% of the Company's share capital and 83.76% of its voting rights;
- the Arnault Family Group declared that on July 4, 2017 it had crossed above the threshold of 90% of the Company's share capital and 95% of its voting rights and that it held 170,078,834 Christian Dior SE shares, corresponding to 296,651,171 voting rights, i.e. 94.22% of the Company's share capital and 96.52% of its voting rights.

On August 29, 2017, the Arnault Family Group declared that it had crossed above the threshold of 95% of the Company's share capital and that it held 171,528,130 Christian Dior SE shares, corresponding to 298,100,467 voting rights, i.e. 95.03% of the Company's share capital and 97.00% of its voting rights.

As of December 31, 2017, the Arnault Family Group directly and indirectly controlled 96.52% of the share capital and 98.12% of the voting rights exercisable at Shareholders' Meetings, compared with 73.96% and 84.90%, respectively, as of December 31, 2016.

Declaration of crossing of thresholds as provided by the Bylaws

In various letters received between May 18, 2017 and July 12, 2017, Crédit Suisse declared that it had crossed above the 1% threshold and then had crossed below this same threshold. In a letter dated July 14, 2017, Noreges Bank declared that it had crossed above the 1% threshold.

As of December 31, 2017, the Company's share ownership was as follows:

Shareholders	Number of shares	Number of voting rights [a]	% of share capital	% of voting rights
Arnault Family Group [b]	174,216,958	303,431,406	96.52	98.12
- of which Semyrhamis	*153,060,946*	*264,160,279*	*84.79*	*85.42*
- of which Arnault family and other Arnault Family Group companies	*21,156,012*	*39,271,127*	*11.73*	*12.70*
Treasury shares	731,251	-	0.41	-
Other shareholders	5,559,307	5,807,460	3.08	1.88
TOTAL AS OF DECEMBER 31, 2017	**180,507,516**	**309,238,866**	**100.00**	**100.00**

(a) Voting rights exercisable at Shareholders' Meetings.
(b) The Arnault Family Group is made up of the Arnault Family and companies it controls, notably including Semyrhamis.

Subject to the provisions of §3.4 below, to the Company's knowledge:

- no shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2017;
- no shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;
- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2017, senior executives of the Company and members of the Board of Directors directly and personally held in registered form less than 0.27% of the Company's share capital and voting rights.

(1) Theoretical voting rights.

During the fiscal year ended December 31, 2017 and as of February 2, 2018, no public tender or exchange offer other than as mentioned above, nor price guarantee, was made by a third party involving the Company's shares.

As of December 31, 2017, the Company held 731,251 shares as treasury shares recognized as short-term investments, with the main objective of covering commitments for share purchase option and bonus share plans. In accordance with legal requirements, these shares are stripped of their voting rights. As of December 31, 2017, employees of the Company and of affiliated companies, as defined in Article L. 225-180 of the French Commercial Code, held shares in employee savings plans equivalent to less than 0.03% of the share capital.

The Company's main shareholders have voting rights identical to those of other shareholders.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. A majority of the members of the Nominations and Compensation Committee must also be Independent Directors.

3.2. CHANGES IN SHARE OWNERSHIP DURING THE LAST THREE FISCAL YEARS

The movements occurring during the 2017 fiscal year are mentioned in §3.1. above.

As of December 31, 2017

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM (b)	% of voting rights exercisable at SM (b)
Arnault Family Group (a)	174,216,958	96.52	303,431,406	97.89	303,431,406	98.12
- of which Semyrhamis	*153,060,946*	*84.79*	*264,160,279*	*85.22*	*264,160,279*	*85.42*
- of which Arnault family and other Arnault Family Group companies	*21,156,012*	*11.73*	*39,271,127*	*12.67*	*39,271,127*	*12.70*
Treasury shares	731,251	0.41	731,251	0.24	-	-
Free-float registered	444,928	0.25	693,081	0.22	693,081	0.22
Free-float bearer	5,114,379	2.83	5,114,379	1.65	5,114,379	1.65
TOTAL	**180,507,516**	**100.00**	**309,970,117**	**100.00**	**309,238,866**	**100.00**

(a) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.
(b) SM: Shareholders' Meeting.

As of December 31, 2016

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM (b)	% of voting rights exercisable at SM (b)
Arnault Family Group (a)	133,497,358	73.96	259,817,495	84.60	259,817,495	84.90
- of which Semyrhamis	*112,599,333*	*62.38*	*221,060,777*	*71.98*	*221,060,777*	*72.23*
- of which Arnault family and other Arnault Family Group companies	*20,898,025*	*11.58*	*38,756,718*	*12.62*	*38,756,718*	*12.67*
Treasury shares	1,091,618	0.60	1,091,618	0.36	-	-
Free-float registered	574,243	0.32	872,638	0.28	872,638	0.28
Free-float bearer	45,344,297	25.12	45,344,297	14.76	45,344,297	14.82
TOTAL	**180,507,516**	**100.00**	**307,126,048**	**100.00**	**306,034,430**	**100.00**

(a) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.
(b) SM: Shareholders' Meeting.

As of June 30, 2016

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM [b]	% of voting rights exercisable at SM [b]
Arnault Family Group [a]	131,819,932	73.03	257,808,750	84.03	257,808,750	84.36
- of which Semyrhamis	*111,099,333*	*61.55*	*219,229,458*	*71.45*	*219,229,458*	*71.73*
- of which Arnault family and other Arnault Family Group companies	*20,720,599*	*11.48*	*38,579,292*	*12.58*	*38,579,292*	*12.63*
Treasury shares	1,188,053	0.66	1,188,053	0.39	-	-
Free-float registered	567,464	0.31	881,510	0.29	881,510	0.29
Free-float bearer	46,932,067	26.00	46,932,067	15.30	46,932,067	15.35
TOTAL	**180,507,516**	**100.00**	**306,810,380**	**100.00**	**305,622,327**	**100.00**

(a) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.
(b) SM: Shareholders' Meeting.

3.3. PLEDGES OF PURE REGISTERED SHARES BY MAIN SHAREHOLDERS

The Company is not aware of any pledge of pure registered shares by the main shareholders.

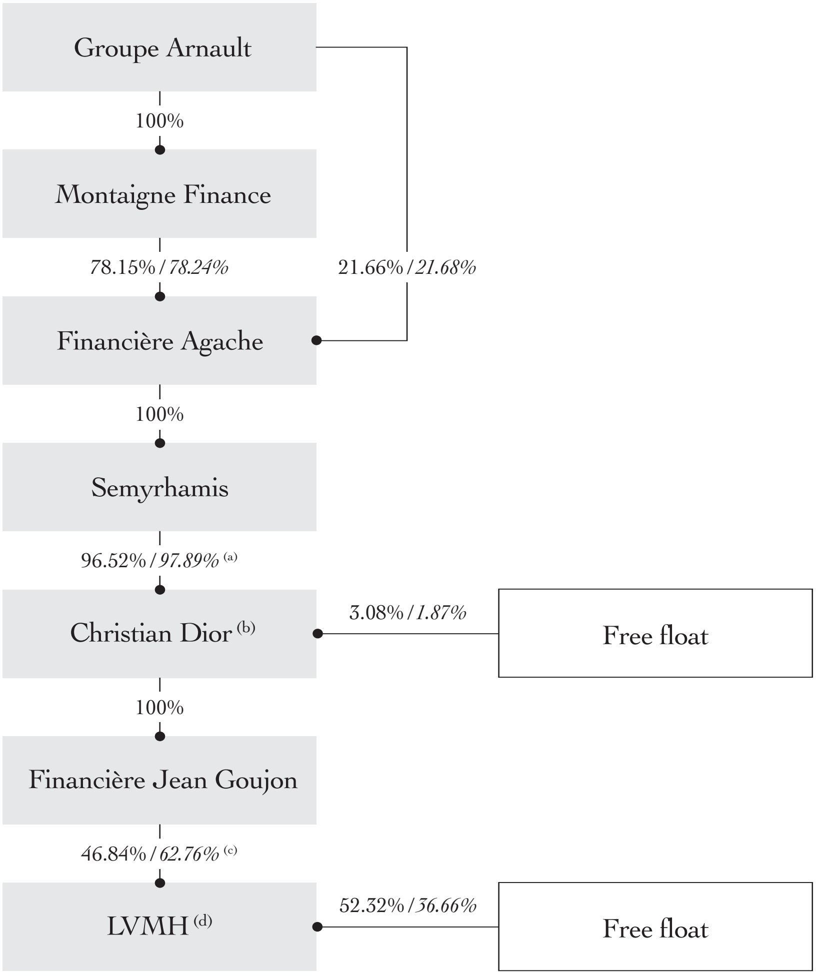
3.4. NATURAL PERSONS OR LEGAL ENTITIES THAT MAY EXERCISE CONTROL OVER THE COMPANY

As of December 31, 2017, the Arnault Family Group directly or indirectly held 96.52% of Christian Dior SE's share capital and 98.12% of its voting rights exercisable at Shareholders' Meetings.

The Arnault Family Group is composed of the Arnault family and companies it controls, notably (i) Groupe Arnault SEDCS and (ii) Semyrhamis SA, 100% of whose share capital is indirectly controlled by the Arnault Family Group.

As of December 31, 2017, Semyrhamis SA held 153,060,946 Christian Dior SE shares, representing 84.79% of the Company's share capital and 85.42% of its voting rights exercisable at Shareholders' Meetings. The main purpose of Semyrhamis SA is to hold Christian Dior SE shares.

The organizational chart below provides a simplified overview of the shareholding structure as of December 31, 2017 (% of share capital/*% of theoretical voting rights*):



(a) Stake held by the Arnault Family Group as of December 31, 2017, with Semyrhamis directly holding 84.79% of the share capital and 85.22% of the theoretical voting rights of Christian Dior SE.
(b) Treasury shares: 0.41%/*0.24%*.
(c) Stake directly and indirectly held by the Arnault Family Group as of December 31, 2017, with Financière Jean Goujon directly holding 40.99% of the share capital and 56.42% of the theoretical voting rights of LVMH SE.
(d) Treasury shares: 0.84%/*0.58%*.

4. Market for financial instruments issued by Christian Dior

4.1. MARKET FOR CHRISTIAN DIOR SHARES

In fiscal year 2017, stock markets were buoyed by sustained global growth, a decline in political risk and a very gradual and cautious tightening of monetary policy, enabling key stock markets to end the year sharply up.

The European Central Bank shifted its policy in a slightly less accommodative direction, lowering its monthly asset purchases to 60 billion euros from the end of the first quarter and announcing a further reduction of 30 billion euros from January 2018, while maintaining its key interest rates unchanged. The dissipation of political uncertainty in key areas caused the sovereign bond spreads between different countries to narrow – notably between Germany and France with 10-year spreads falling to 0.36% – and the euro to pick up against the US dollar, ending the year at 1.20 dollars, compared with 1.05 dollars at the beginning of 2017.

In the United States, in spite of three Federal Reserve interest rate hikes, an upgrade in the growth outlook and the introduction of tax measures designed to stimulate economic activity, 10-year US sovereign yields ended the year at 2.41%, down 0.07% year on year. The economic effects of the new US administration's policy had already been fully priced in at the beginning of the year.

In Japan, growth accelerated, buoyed by the upturn in global trade and the continuing effects of government stimuli.

China managed to exceed its 2017 growth target of 6.5%, posting growth of 6.9% at the same time as continuing to shift its economy further towards tertiary activities, with the weighting of heavy industry declining and consumer spending on the rise.

Emerging economies benefited overall from lower inflation and appreciation in their currencies, allowing a number of central banks to ease their monetary policy. Strong demand pushed oil prices above 60 dollars a barrel at the year-end.

In spite of continued US rate hikes, gold benefited from the geopolitical environment, and notably from tension between the United States and North Korea, ending the year at over 1,300 dollars per ounce.

Given this favorable environment, LVMH's record operating performance and Semyrhamis's public offer for Christian Dior, the Christian Dior share price rose 52.8% between January 1 and December 31, 2017, compared with rises of 6.5% and 5.8% in the Euro Stoxx 50 and Euronext 100 indices respectively. Over the same period, the S&P 500 index rose 19.4%, Japan's Topix index gained 19.7% and the Shanghai SE 180 index climbed 19.7%.

Christian Dior's closing share price on December 31, 2017 was 304.55 euros. As of the same date, Christian Dior's stock market capitalization was 55.0 billion euros.

Market for the issuer's shares

Christian Dior's shares are listed on Compartment A of Euronext Paris (Reuters: DIOR.PA; Bloomberg: CDI FP; ISIN: FR0000130403).

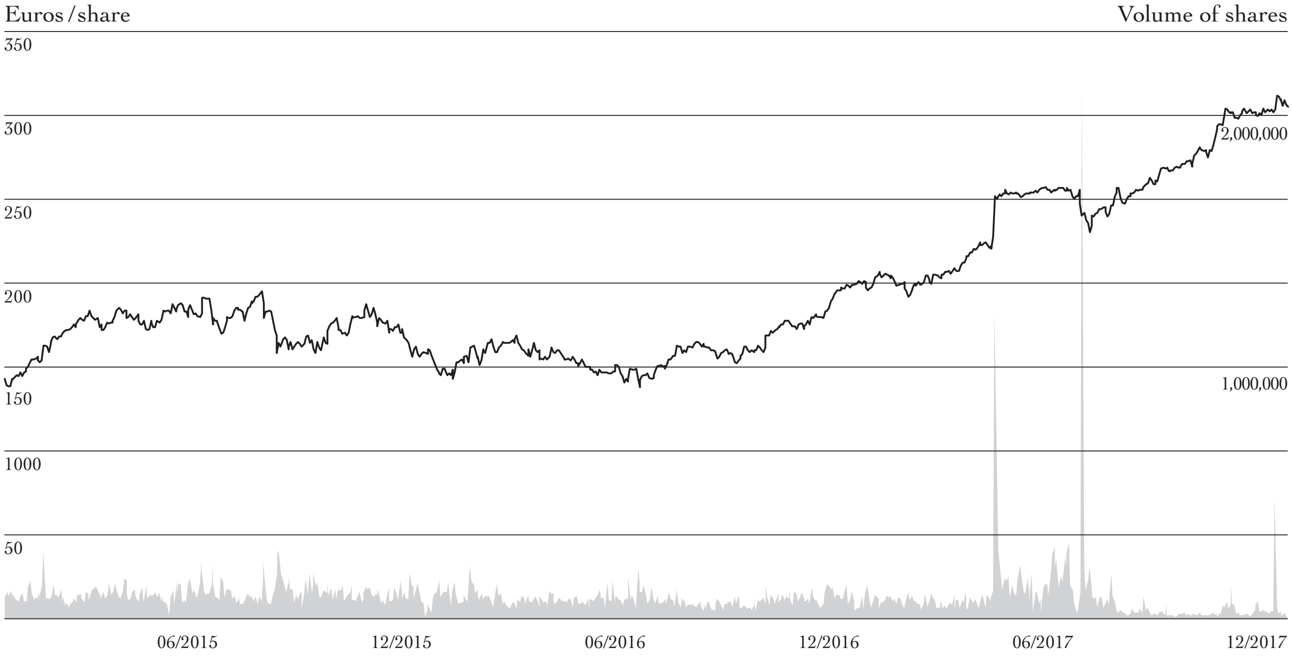
In addition, Christian Dior share-based tradable options may be exchanged on MONEP.

Trading volumes and amounts on Euronext Paris and price trend over the last twelve months

	Opening price first day *(EUR)*	Closing price last day *(EUR)*	Highest share price [a] *(EUR)*	Lowest share price [a] *(EUR)*	Number of shares traded	Value of shares capital traded *(EUR millions)*
January 2017	199.40	198.75	207.30	194.60	1,765,263	356
February 2017	200.05	199.90	205.80	190.95	1,376,052	273
March 2017	202.00	217.80	218.00	202.00	1,418,717	296
April 2017	218.10	251.95	256.00	217.55	3,312,702	806
May 2017	253.00	254.20	256.05	250.60	2,769,614	702
June 2017	254.45	250.35	257.93	244.55	3,604,306	921
July 2017	251.00	240.70	257.95	230.30	3,933,147	947
August 2017	241.05	259.35	261.70	241.05	929,201	234
September 2017	260.05	270.95	273.40	256.20	398,601	106
October 2017	270.00	294.75	295.55	268.90	357,754	100
November 2017	296.65	300.50	309.00	292.80	817,933	246
December 2017	301.45	304.55	313.05	296.50	988,265	300

Source: Euronext.
(a) Intra-day share price.

Christian Dior share price over time and volume of shares traded in Paris



Stock market capitalization

(EUR millions)	
As of June 30, 2015	31,607
As of June 30, 2016	26,137
As of December 31, 2016	35,966
As of December 31, 2017	54,974

4.2. SHARE REPURCHASE PROGRAM

The Company acquired no shares and no shares were sold under its share repurchase program during the fiscal year ended December 31, 2017.

4.3. BONDS ISSUED BY CHRISTIAN DIOR

Bonds issued by Christian Dior that were outstanding on December 31, 2017 are listed for trading.

Bonds listed in Luxembourg

Currency	Amount outstanding *(in currency)*	Year of issue	Year of maturity	Coupon *(as %)*
EUR	500,000,000	2014	2019	1.375
EUR	350,000,000	2016	2021	0.750

4.4. DIVIDEND

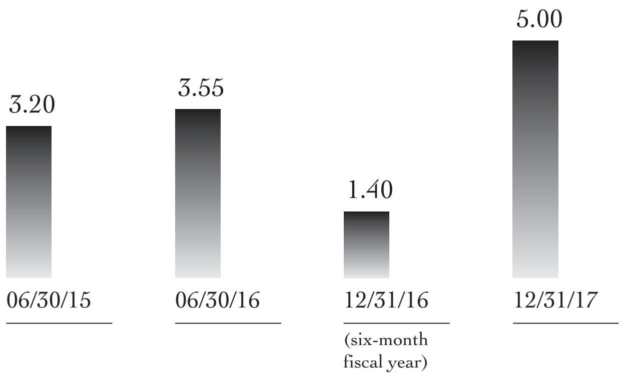
A gross cash dividend of 5.00 euros per share is being proposed for the fiscal year ended December 31, 2017. Based on the number of shares making up the share capital as of December 31, 2017 (180,507,516 shares), Christian Dior's gross cash dividend will amount to 903 million euros for the fiscal year ended December 31, 2017, before the effect of treasury shares.

Dividend distribution in respect of fiscal years 2015 to 2017

Fiscal year	Gross cash dividend [(a)] per share *(EUR)*	Gross cash dividend distribution *(EUR millions)*
December 31, 2017 [(b)]	5.00	903
December 31, 2016	1.40	253
June 30, 2016	3.55	641
June 30, 2015 [(c)]	3.20	578

(a) Excluding the impact of tax regulations applicable to the recipients.
(b) Proposed at the Shareholders' Meeting of April 12, 2018.
(c) In addition to the dividend of 3.20 euros, an exceptional interim distribution in kind was made in the form of Hermès International shares.

Gross cash dividend per share *(EUR)*



The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the growth of the Group.

In accordance with applicable laws in France, dividends and interim dividends uncollected within five years become void and are paid to the French state.

4.5. CHANGE IN SHARE CAPITAL

As of December 31, 2017, Christian Dior's share capital was 361,015,032 euros, consisting of 180,507,516 fully paid-up shares with a par value of 2 euros each.

The number of shares did not change during the fiscal year.

4.6. PERFORMANCE PER SHARE

(EUR)	**Dec. 31, 2017** (12 months)	**Dec. 31, 2016** (6 months)
Diluted Group share of earnings per share	12.40	5.86
Dividend	5.00	1.40
Change compared to previous fiscal year	*N/A*	*N/A*
Highest share price (intra-day)	313.05	201.20
Lowest share price (intra-day)	190.95	141.30
Share price as of the fiscal year-end date (closing share price)	304.55	199.25
Change compared to previous fiscal year	*+ 52.8%*	*+ 37.6%*

N/A: not applicable.

Statement by the company officer responsible for the Annual Report

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management Report presented on page 25 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, March 21, 2018

Under delegation from the Chief Executive Officer

Florian OLLIVIER

Chief Financial Officer

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